



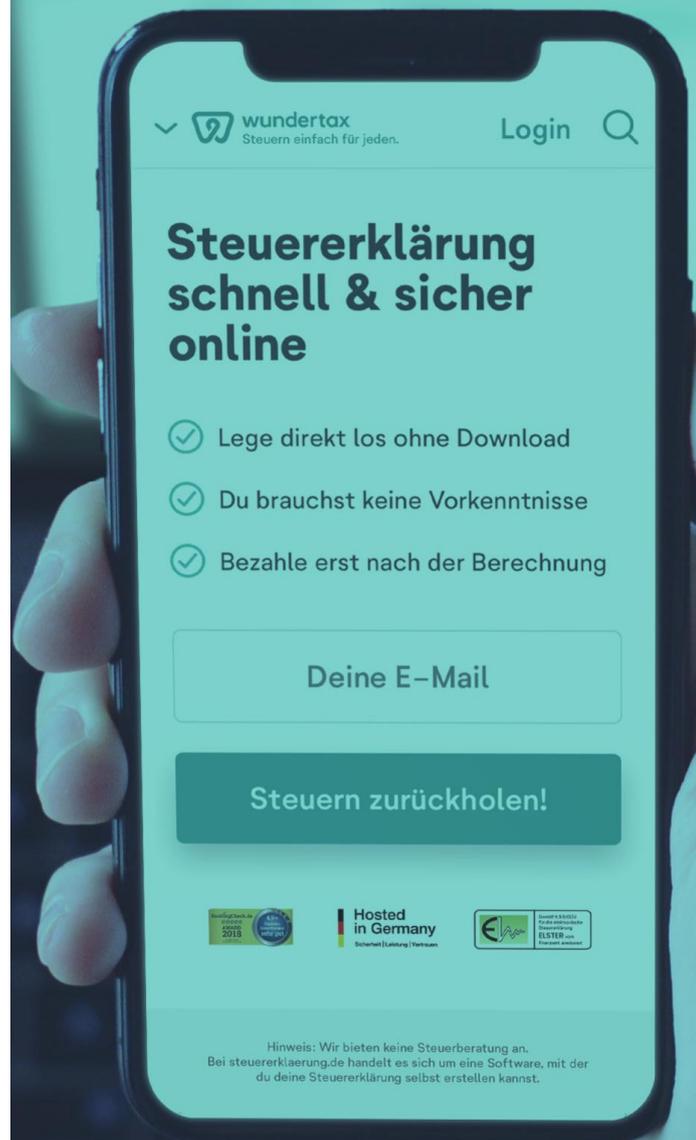
wundertax

Tax returns made easy

Tax Guide 2020/2021

Everything you need to know
about your 2020 tax return

Berlin, 14.06.2021



Most taxpayers will find that it's worthwhile to file a tax return – even if they're not required to. 90% of the time you will receive a tax refund of 1,051¹ euros on average. Who would want to miss out on so much money?

Wundertax offers the opportunity to complete your tax return in just 17 minutes without any prior knowledge. Since wundertax's debut in 2016, our goal has been to make filing your tax return online easy, uncomplicated, and secure. Our tax tools, tailored towards your specific circumstances, ensure that you'll save plenty of time filing while simultaneously maximizing your refund.

With our help and guidelines, we'll ensure that your tax return is a success on the first try – no need to call up an expensive tax consultant or income tax association. No more panicking about deadlines and no more incomprehensible tax forms.

We hope you enjoy our tax tools and wish you a large tax refund!

If you think we've missed any important topics in this guide, please reach out to us via the e-mail support@wundertax.de so we can include it in the next edition.

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¹ Source: Federal Office of Statistics: Employees who file voluntary tax returns receive an average tax refund of 1,051 euros.

1 What is a tax return (Steuererklärung)?

Your income tax return provides the tax office (Finanzamt) with information about your income and deductible expenses. Through this, they are able to determine the tax you owe (if you earn more than the tax-free amount of 450 euros per month).

As a taxpayer, it's possible that you've paid too much tax in advance within the calendar year which leads to a tax refund – however, it's also possible that you paid too little, leading to a tax back payment.

You can claim all of your professional expenses on your tax return and likely receive a tax refund, 1,051 euros on average.

If you're required to file a tax return (see **Mandatory tax assessment**) and are at risk of paying a tax back payment, you can reduce the tax due by deducting various expenses – thus making a tax return worth it, no matter what!

1.1 Tax ID (Steuer-Identifikationsnummer)

All residents of Germany receive a personal and permanent 11-digit tax ID (Steuer-ID). Citizens receive these numbers upon birth and expats typically receive them upon registering their address (Anmeldung).

1.2 Tax number (Steuernummer)

The structure of tax numbers changed during the introduction of the ELSTER procedure for electronic tax return submissions. Tax numbers consist of 13 digits and change when one moves residences, newly generated tax numbers are issued by one's local tax office (Finanzamt). Tax numbers are not to be confused with tax IDs which never change.

1.3 Applying for a tax number

Self-employed workers must register their freelancing jobs with their local tax offices (Finanzamt) within 4 weeks of starting a new professional activity. Upon registration, they will receive a tax number as well as a questionnaire that registers them for taxes – since 01/01/2021, this questionnaire can only be submitted electronically via the Elster portal. A user account on www.elster.de must be created for this purpose. My ELSTER, the successor to the “ElsterFormular” program, is used by German tax authorities to store and order your tax data.

Note: If you're considered filing your tax return via the Elster portal, keep in mind that the tax authorities are not interested in helping you save taxes. On the contrary, wundertax offers you a tax solution *and* tax tips that enable you to receive the highest possible tax refund.

Tradespeople are required to register with the trade office (Gewerbeamt), which will then inform their local tax office about the registration. The tax office will then send the tradesperson a questionnaire where they can enter their anticipated profits to register them for taxes. After this, the tradesperson receives their tax number.

Employees who haven't yet received a tax number will receive one with their first income tax assessment notice (Einkommensteuerbescheid).

1.4 Your local tax office (Zuständiges Finanzamt)

Your local tax office varies depending on where you generate your income.

- An employee's local tax office is the one responsible for their area of residency.

- The tax office in charge of self-employed people depends on the district where their professional activity takes place.
- The tax office assigned to tradespeople manages the district where the trade's management is located.
- If a taxpayer moved away from Germany, their local tax office is the one in charge of their last area of residency in Germany.

An overview of all tax offices (Finanzämter) can be found [here](#).

1.5 Tax classes (Steuerklassen)

In Germany, there are six different tax classes (sometimes called tax brackets), your primary job (if unmarried) is typically assigned to tax class 1. If you take on a second or side job, this is usually taxed according to class 6 and if you get married, you and your spouse can decide upon different tax class possibilities (for example 3/5 or 4/4).

Your tax class doesn't affect your tax return – the amount of taxes you are required to pay remain the same. It only affects the amount of tax you pay in advance, this can be seen on your income tax statement (Lohnsteuerbescheinigung). Married couples who choose to be taxed according to classes 3 and 5 often have to pay a back tax payment when submitting their tax returns due to not having made enough tax payments in advance – the lowest possible tax deductions from your monthly salary occur in tax 3.

Since 2010, married couples can apply for a combination of tax classes 4/4 with a factor procedure in order to avoid an additional tax payment. Their monthly wage tax deductions are then adjusted to comply with their annual salaries throughout the year.

List of Tax Classes	
Tax Class 1	Single, widowed, separated/divorced
Tax Class 2	Single parent, separated
Tax Class 3	Married (higher or own income), parental benefit recipient, combination with tax class 5
Tax Class 4/4 with Factor Procedure	Married (equal income with spouse) / splitting factor with spouse is observed throughout the year
Tax Class 5	Married (lower income), combination with tax class 3
Tax Class 6	Second and side job

1.6 Changing your tax class (Steuerklassenwechsel)

As of January 1st, 2020, married couples are permitted to change their tax classes multiple times throughout the year in order to choose the most beneficial combination.

1.7 Joint Taxation (Zusammenveranlagung)

There are two ways for spouses to file their tax returns: either by being assessed individually (Einzelveranlagung) or together (joint taxation, *Zusammenveranlagung*). Joint taxation is also often described as income splitting (in German: Ehegattensplitting). Each year, married couples can choose which assessment they'd prefer.

If married couples choose to be assessed together, they will be treated as one person: they file a one joint tax return, receive one tax assessment notice (Steuerbescheid), and if a tax refund is granted, it will only be transferred to one bank account and will not be split.

Requirements for joint assessment that must be met simultaneously (for at least one day of the year)
· Both partners have unlimited income tax liability
· The couple may not live permanently separated
· The marriage must be legally valid

When joint assessment is chosen, both spouses are initially assessed individually and then both incomes are added together. The total income is halved again, and the income tax is then applied to one half. The result of this is multiplied by two, which yields the tax payment that is owed.

Since both spouses' incomes are considered, both of their expenses are as well. Extraordinary expenses (außergewöhnliche Belastungen), special expenses (Sonderausgaben), and more can therefore be declared on the couple's tax return – even when the expenses only affect one spouse.

If the couples' salaries greatly vary, joint assessment can be more lucrative due to tax progression: their income tax burden does not increase linearly with their income amount, it increases disproportionately.

If one spouse received wage replacement benefits (Lohnersatzleistungen) such as short-term work benefits (Kurzarbeitergeld), it is probably more advantageous to submit separate tax returns (Einzelferanlagung).

Good to know: Even though men and women share equal rights in Germany, the tax authorities have clear rules in place for joint assessment in order to prevent errors in their IT systems. The male partner must always be inserted first in the tax return. In the case of same-sex marriages, spouses are inserted alphabetically.

1.8 Types of income (Einkommensarten)

The German tax system recognizes seven different types of income:

- Income from employment
- Income from capital assets
- Income from renting and leasing
- Other income
- Income from agriculture and forestry
- Income from business operations
- Income from self-employment

In this guide, we focus on the main type of income for employees: income from traditional employment (not freelance).

1.9 Wage tax (Lohnsteuer) and income tax statements (Lohnsteuerbescheinigung)

All taxpayers in Germany are required to pay income tax (Einkommensteuer) provided that their income does not exceed the basic tax-free allowance (Grundfreibetrag) of 9,744 euros (previously 9,408 euros in 2020).

Wage tax (Lohnsteuer), an automated method of taxation for the largest employee group, was established to simplify tax collection. This is an advanced payment on your annual income tax and is

deducted from your monthly gross wage (for non-independent work). Your wage tax is calculated according to your personal electronic wage tax deduction details (Lohnsteuerabzugsmerkmale or ELT-SAM for short) and transmitted monthly to the tax office (Finanzamt) – details about these deductions can be seen in your monthly pay slip (Gehaltsabrechnung).

At the end of each calendar year – by the end of February at the latest – your employer submits your annual wage tax statement (Lohnsteuerbescheinigung) to the tax office and provides you with either a printout or electronic copy. This statement is then used for your tax return.

1.10 Wage replacement benefits and *Progressionsvorbehalt*

Wage replacement benefits (Lohnersatzleistungen, or sometimes called Entgeltersatzleistungen) are government benefits provided by social insurance institutions to compensate for the loss of earnings in the event of unemployment, illness, parenthood, etc.

Wage replacement benefits include:

- Unemployment benefits (Arbeitslosengeld)
- Short-term work benefits (Kurzarbeitergeld, **more in section 5**)
- Maternity benefits (Mutterschaftsgeld)
- Parental benefits (Elterngeld)
- Sick pay (Krankengeld) after discontinuation of payment from your employer
- Transitional allowance (Übergangsgeld)
- Injury benefits (Verletztengeld)
- Subsistence payment (Unterhaltsgeld) as a supplement
- Care assistance benefits (Pflegeunterstützungsgeld)
- Employer supplements to wages and salaries (Arbeitgeberzuschüsse zum Arbeitsentgelt)
- Insolvency allowance (Insolvenzgeld)
- Compensation for loss of earnings in accordance with the Infection Protection Act (Infektionsschutzgesetz, **more in section 4**)

If you receive more than 410 euros in wage replacement benefits throughout the year, you are required to file a tax return (Pflichtveranlagung). Wage replacement benefits themselves are tax-free – but there is a catch: they are subject to the so-called *Progressionsvorbehalt*. Although these benefits are not taxed, the amount is added to your total taxable income – if this increase pushes you into the next tax bracket, it leads to a higher tax rate (Steuersatz) which is then applied to your regular income.

On a more positive note, it is also possible that you've paid too much wage tax outside of your short-term work (Kurzarbeit) and are entitled to a partial refund.

1.11 Mandatory Tax Assessment (Pflichtveranlagung)

Income tax is deducted directly from employee wages each month, but in certain cases, the government wants to ensure that your tax liability is in accordance with the law and not detrimental to the government. In such cases, one must file a tax return to be assessed. You cannot avoid filing a tax return if:

- the tax office (Finanzamt) entered an income tax allowance (Lohnsteuerfreibetrag) for you (you are not required to file if the income doesn't exceed 12,200 euros per year for single persons or 23,250 euros for married couples assessed together in 2021. In 2020, these amounts were 11,900 euros and 22,600 euros respectively)

- you received wage replacement benefits (Lohnersatzleistungen) that amount to more than 410 euros and are subject to *Progressionsvorbehalt*
- you are separated and haven't split the education allowance (Ausbildungsfreibetrag), disability allowance (Behindertenpauschbetrag), or survivors' allowance (Hinterbliebenen-Pauschbetrag) for your children 50/50
- you received income from several employers
- you received a severance package and chose to tax it according to the one-fifth method (Fünftelregelung)
- you received capital gains (Kapitalerträge) that are subject to withholding tax (Abgeltungssteuer), but no withholding tax was paid
- you received vacation pay (Urlaubsvergütung) from the wage compensation fund for the construction industry (Lohnausgleichskasse der Bauwirtschaft)
- you are married and both spouses receive employee wages and have chosen the tax classes 3/5 or 4 with factor procedure
- the employee's marriage was ended by divorce or death during the tax assessment period
- your minimum pension lump sum (Mindestvorsorgepauschale) is higher than your pension expenses (Vorsorgeaufwendungen)
- your supplementary income (Nebeneinkünfte) without wages exceeds 410 euros
- income from self-employment, renting, leasing, or other income exceeds the tax-free amount (Freibetrag)

1.12 Deadlines (Fristen) / Extensions (Fristverlängerung)

Anyone required to submit a tax return has until July 31st of the following year, missing this deadline can lead to penalty payments. As the deadline for the 2020 tax return falls on a weekend, it was extended to the next working day: the tax office (Finanzamt) must receive the 2020 tax return for those required to file by August 2nd, 2021.

If the deadline is missed, tax authorities (Finanzbehörde) can charge a late payment of 0.25% of the assessed tax for each month (or part of the month) past the deadline with a minimum penalty charge of 25 euros. Taxpayers who are required to file their tax return and choose not to while ignoring reminders from the tax office can be issued with an estimated tax assessment, which is typically to their disadvantage. We recommend that you don't let it get to this point – don't procrastinate, submit your tax return on time!

Those who are not required to file but wish to file a voluntary tax return have up to 4 years to submit it. For example, if you wish to file your 2020 tax return voluntarily, your deadline is December 31st, 2024. The deadline is always December 31st, 4 years later and there are no extensions to this.

Extension requests for mandatory tax returns must be received and approved before the deadline and the tax office typically only grants these requests in exceptional and justified cases. Before 2019, the filing deadline was the end of May but was since extended to the end of July.

If you aren't required to submit a tax return, you should still consider filing: employees who are not required to file receive an average refund of 1,051 euros.

1.13 Obligation to provide proof (Nachweispflicht)

Before 2017, you were required to submit proof (receipts/invoices) of all of your expenses along with your tax return –since then, this is no longer required. Instead, you are required to preserve original proof in case the tax office requests it.

If you are claiming certain expenses for the first time which cause your tax return to significantly differ when compared with previous years, it is still advisable to submit receipts with your tax return. Some examples of this could include claiming a home office or second household for the first time, high medical expenses, large donations, etc. In such cases, the tax office will most likely request proof and by submitting them in advance, you end up saving yourself time and receiving your tax refund sooner.

Obligation to preserve records (Aufbewahrungspflicht): You are required to retain relevant receipts and invoices until your tax return is final. Your tax return becomes final one month after you receive your tax assessment notice (Steuerbescheid), which is also when the period to make an appeal ends. If you choose to file an appeal or lawsuit against your tax assessment notice, you are required to preserve your proof of expenses until the proceedings are complete. Donation receipts must be kept for 1 year after receiving your tax assessment notice and invoices for household-related expenses (haushaltsnahe Dienstleistungen) for 2 years following the year they are paid. Some receipts/invoices, such as medical certificates, are important to hang on to for even longer.

1.14 Tax assessment notices (Steuerbescheid)

Tax assessment notices are always structured the same way. You will receive a letter stating whether your tax assessment notice is provisional or final. You receive a provisional notice if a tax court ruling hasn't been issued yet - once they reach a judgement, a provisional notice is changed into a final one. Sometimes a second "final" notice is sent.

Listed in the notice is your tax liability which is determined by the tax office (Finanzamt). This is divided into:

- Income tax (Einkommensteuer)
- Solidarity surcharge (Solidaritätszuschlag) which is to be eliminated in 2021 for 90% of taxpayers
- Church tax (Kirchensteuer) if applicable

Underneath this, you will find your personal data. It is important that you ensure that the correct bank details are listed so that any possible refunds are transferred to the correct account.

1.15 Correcting your tax assessment notice

There are two ways to contest your tax assessment notice in Germany. You can either file an appeal (Einspruch) if certain items are not recognized, or you can make a request for a simple amendment (Änderung).

Amendment Request

Requirements and Advantages	Reasons for an Amendment
<ul style="list-style-type: none"> • Selective review 	<ul style="list-style-type: none"> • Tax assessment notice contains errors (such as wrong address)
<ul style="list-style-type: none"> • Tax assessment notice can only be amended if it leads to an advantage for the taxpayer 	<ul style="list-style-type: none"> • Your case was not clearly described
<ul style="list-style-type: none"> • The deadline to submit an amendment request is a month after receiving your notice 	<ul style="list-style-type: none"> • You forgot to claim certain expenses or expenditures
<ul style="list-style-type: none"> • The request must be formulated in concrete terms (you must indicate exactly what needs to be changed) 	<ul style="list-style-type: none"> • Only one item needs to be changed, not the whole assessment

Appeal

Requirements and Advantages	Reasons for an Appeal
<ul style="list-style-type: none"> Essential data can be changed 	<ul style="list-style-type: none"> Your household-related services (haushaltsnahe Dienstleistungen) weren't recognized
<ul style="list-style-type: none"> Tax burdens can be reduced (if the tax office recognizes the appeal) 	<ul style="list-style-type: none"> Your special expenses (Sonderausgaben) weren't observed
<ul style="list-style-type: none"> The deadline to file an appeal is one month after receiving your tax assessment notice 	<ul style="list-style-type: none"> The tax office miscalculated
<ul style="list-style-type: none"> Initially, you can send an informal letter stating that you'd like to file an appeal 	<ul style="list-style-type: none"> Taxpayer-friendly rulings and administrative instructions were disregarded
<ul style="list-style-type: none"> Reasons for your appeal can be given following your initial letter 	<ul style="list-style-type: none"> Income-related expenses (Werbungskosten) weren't recognized
<ul style="list-style-type: none"> Your appeal can be withdrawn later without consequences 	

More information on this subject can be found here: „[How do I file an appeal against the tax notice?](#)“.

2 What costs are tax-deductible (steuerlich absetzbar)?

The most common tax-deductible costs belong to income-related expenses (Werbungskosten) which include all expenses that arise from your profession. These include (but aren't limited to) commuting costs, business trips, further education, costs for work clothes, setting up a home office, professional insurances, and job applications. Income-related expenses are legally defined as “expenses incurred to acquire, secure, and maintain income” (§9 EStG).

A lump sum of 1,000 euros per year is automatically deducted for income-related expenses. No evidence is required for this lump sum. If you wish to claim more expenses that exceed this lump sum, you will have to provide proof.

2.1 Deductible income-related expenses (More in Section 6)

- Moving costs
- Double household (if you have a second residence for professional reasons)
- Telephone and internet costs
- Business trip costs
- Commuting allowance (Entfernungspauschale)
- Job application costs
- Contributions to professional associations (Berufsverbände)
- Costs for a work room in your home (häusliches Arbeitszimmer)
- Work equipment and materials (Arbeitsmittel)
- Temporary „Home Office Lump Sum” (Home-Office-Pauschale) for 2020 und 2021
- Etc.

2.2 More deductible costs that are not income-related expenses (More in Sections [8-11](#))

- Special expenses (Sonderausgaben), for example pension or health insurance contributions
- Extraordinary expenses (außergewöhnliche Belastungen), for example medication costs or nursing care expenses for your parents
- Household-related expenses (haushaltsnahe Dienstleistungen), for example pet care or tradespeople costs
- Etc.

3 2020 Tax Return: What's new? What should you keep in mind?

The **deadline (Abgabefrist)** to submit your tax return remains unchanged: If you are required to submit your 2020 tax return, you must have submitted it by August 2nd, 2021. The typical deadline is July 31st of each year but since July 31st, 2021 falls on a weekend, the deadline is extended to the following weekday. If you choose to file your tax return voluntarily, you have much more time to submit it – but it's worth it to submit it sooner than later, as you can probably expect a large tax refund.

In 2020, the **basic tax-free allowance (Grundfreibetrag)** increased to 9,408 euros for single persons and 15,540 euros for married couples who choose to be assessed together. Income tax only has to be paid on incomes that exceed these amounts. The basic tax-free allowance exists to secure the minimal existence income for residents of Germany.

The **child allowance (Kinderfreibetrag)** was also increased in 2020. Including the allowance for educational, care, and training needs (BEA), the total child allowance amounts to 7,812 euros.

In September/October 2020, parents received a **child bonus (Kinderbonus)** of 300 euros per child as well as an additional child bonus of 150 euros in May 2021, these bonuses were part of the government's Corona economic stimulus plan. The bonuses themselves are tax free and, together with child benefits (Kindergeld), offset against your child allowance in order to determine the most favorable option for you (child bonus or child allowance).

In 2020, the **relief amount for single parents (Entlastungsbetrag für Alleinerziehende)** was permanently increased to 4,008 euros per year.

A new **home office lump sum (Home-Office-Pauschale)** was (temporarily) introduced for the years 2020/2021 which allows you to deduct 5 euros per day spend working remotely. The maximum limit is 600 euros (120 days working remotely).

If you receive **short-term work benefits (Kurzarbeitergeld)**, you are required to file a tax return. Although the benefits themselves are tax-free, they can possibly increase your tax rate due to the so called *Progressionsvorbehalt*. If you're married and still on short-term work in 2021, you can raise your benefits by switching your **tax class (Steuerklasse)**: the lowest tax deductions are pulled from those in tax class 3. More importantly, child allowances are entered in tax 3 and 4 and parents receive 7% more of their lost net wages in short-term work benefits. If you apply to change your tax class, it will be put into effect the following month. Don't stress if you and your spouse haven't chosen the most favorable tax class combination – in the end, you will not pay any additional taxes due to your tax class – the final settlement would be made in your tax return.

The **flat rate for work-related moves (Umzugskosten-Pauschale)** was also changed in 2020: Until February 29th, 2020, the lump sum amount was 811 euros for singles and 1,622 for married couples or single parents. For each additional person, 357 euros was added. From March 1st until May 31st, 2020,

these amounts were raised to 820 euros and 1,639 euros respectively, with 361 added for each additional person. Since June 1st, 2020, the person entitled to the flat rate receives a lump sum of 860 euros and for each additional person in the household, 573 euros are added – this way, singles, married couples, widows, divorcees, children, and separated persons are treated equally.

If you contributed to the Foreign Affairs Office's **repatriation campaign (Rückholaktion)** for vacationers stuck abroad due to the pandemic, you can deduct these contributions as extraordinary expenses (außergewöhnliche Belastungen) as long as they exceed the "reasonable burden limit."

The percent of your **retirement provisions (Altersvorsorge)** contributions that can be deducted on your tax return is raised annually by 2%. As of 2020, you can deduct 90% of your contributions to retirement provisions.

4 Corona's impact on your taxes

The Corona pandemic has made a serious impact on our health, daily lives, work, and economy. Countless companies applied for short-term work (Kurzarbeit) in 2020 and had to extend it into 2021. Most employees are working from home, whenever possible, and parents are homeschooling their children due to schools and daycares being closed.

To offer some financial relief for many German residents, the federal government enacted Corona Tax Relief Acts (Corona-Steuerhilfegesetze) as well as social protection packages (Sozialschutz-Pakete). The government made some additional adjustments in the 2020 Annual Tax Act (Jahressteuergesetz 2020) to account for the current crisis – this includes the Home Office Lump Sum (Home-Office-Pauschale). We will discuss these adjustments and additions here.

4.1 Home Office Lump Sum (Home-Office-Pauschale)

Even during the Corona crisis, there are strict requirements for deducting a work room in your home (häusliches Arbeitszimmer) from your taxes. You can find out more about these conditions in **Section 6: Income-related expenses – Everything related to your profession.**

For this reason, the Home Office Lump Sum was implemented. This allows the countless employees that work from home to deduct their days spent working remotely, even if they don't have a work room that meets the strict requirements.

In 2020 and 2021, a flat rate of 5 euros can be deducted for each day spent working from home. The lump sum is limited to 600 euros per year, meaning a maximum of 120 remote workdays per year can be claimed. This lump sum is included in the 1,000-euro income-related expenses lump sum (Arbeitnehmer-Pauschbetrag) and can be used to compensate for the lack of commuting allowance due to working from home. If you exceed the 1,000-euro lump sum limit, you can claim these expenses by providing proof of your additional expenses to the tax office (Finanzamt).

It is not yet clear if it's necessary to provide proof of the days you've spent working remotely. We recommend that you receive a written confirmation from your employer stating the days you've worked remotely.

4.2 Corona bonus (Corona-Sonderzahlung)

Employers are temporarily permitted to award their employees special tax-free bonuses of up to 1,500 euros ("Corona premium") to help provide relief for the extra burdens brought on by the Corona pandemic. This bonus doesn't have to be listed on your tax return or your income tax statement. One bonus can be awarded per job.

Requirements:

- Must be awarded between March 1st, 2020 and December 31st, 2021
- Must be an addition to your wage (wages cannot be converted into a bonus)
- There must be an agreement between employer and employee that determines that it is a Corona-related tax-free aid

4.3 Corona: Support for parents

4.3.1 Child bonus (Kinderbonus)

All parents who were entitled to child benefits for at least one month in 2020/2021 (Kindergeld) automatically received a one-time child bonus of 300 euros in 2020 to help provide additional support during the Corona crisis. This payment was made in two installments: 200 euros in September 2020 and 100 euros in October 2020. Parents received an additional 150 euros in May, 2021.

Child bonuses are not taxable. Like child benefits, the tax office offsets the bonus against your child allowances (Kinderfreibeträge) when calculating your taxes and automatically chooses the more favorable option for you.

Families with low or medium income benefit the most from child bonuses. You can read more about this in [section 7: Child benefits and child allowances](#).

4.3.2 Relief amount (Entlastungsbetrag) for single parents

Corona has been especially tough on single parents trying to care for their child(ren) alone. For this reason, the second Corona Tax Relief Act (Corona-Steuerhilfe-Gesetz) raised the relief amount from 1,908 euros to 4,008 euros for single parents (tax class 2). Initially, this only applied to 2020 and 2021, but the Annual Tax Act of 2020 (Jahressteuergesetz 2020) removed the time limit: the relief amount now extends beyond 2021.

4.4 Corona: Repatriation costs for those stranded on vacation

In March and April of 2020, an unprecedented repatriation campaign from the German Foreign Affairs Office brought 240,000 stranded vacationers and business travelers back to Germany who were stuck abroad due to the Corona outbreak. Flat-rate contributions towards repatriation can be claimed on your 2020 tax return: Individual tourists can claim these costs as extraordinary expenses (außergewöhnliche Belastungen), while business travelers can deduct them as income-related expenses (Werbungskosten), provided that their employer hasn't already covered the costs.

Extraordinary expenses are costs that exceed a "typical" burden that other taxpayers with similar income and marital status experience. These expenses can only be claimed when they are inevitable and necessary. As the Corona outbreak led to border closures and a worldwide air traffic shutdown, repatriation costs fit into this category.

The only catch: You must exceed the "reasonable burden limit" (zumutbare Belastung) to be able to claim these expenses. The limit can vary based on your individual income, marital status, and number of children. You can read more about this in [section 9: When the going gets tough – extraordinary expenses](#).

Important: The vacation or business trip must have begun before the German Foreign Affairs Office declared a travel warning for the destination. Those who traveled to a high-risk area despite the warning are responsible for the costs incurred from it.

4.5 Other expenses due to Corona

4.5.1 Homeschooling

Up to 4,000 euros in childcare costs can be deducted for children up to 13 years of age when you hire someone to care for your child (there are exceptions to the age limit for children with disabilities), but unfortunately, these costs cannot be deducted if you provided childcare for your own children. This means that neither your additional childcare expenses during homeschooling nor the costs for your child's technical equipment can be claimed on your tax return.

However: If you purchased a computer for your remote work and your child uses the same computer for their schoolwork, the computer expenses can be deducted as income-related expenses (Werbungskosten). The expenses don't have to be reduced according to your child's usage.

4.5.2 Loss of earnings (Verdienstaussfall)

If you had to take unpaid time off work because you've had to take care of your child(ren) while schools and daycares were closed or your child was required to quarantine, you might have received wage compensation under the Infection Protection Act (Infektionsschutzgesetz). These wage replacement benefits (Lohnersatzleistungen) were paid for a maximum of 10 weeks per parent (20 for single parents) with at least one child who is 11 years old or younger. This regulation expired at the end of Juni, 2021.

Compensation for wage losses obliges you to file a tax return and is subject to the so-called *Progressionsvorbehalt* which could lead to an increase in your tax rate. You can read more about this in [Section 1: Wage replacement benefits and Progressionsvorbehalt](#).

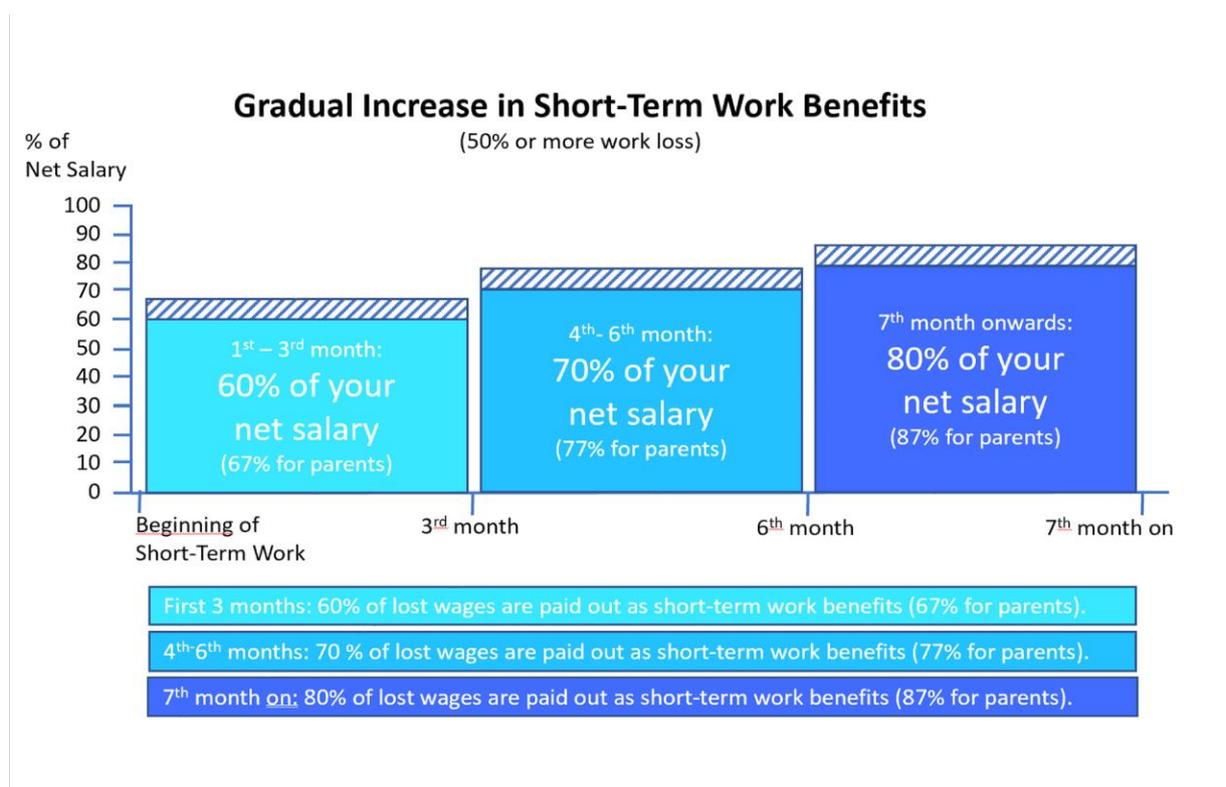
5 Short-term work and Short-term work benefits

Short-term work (Kurzarbeit) gives companies relief in times when there is little to no work to be fulfilled and often prevents employees from being laid off. The government made it much easier for companies to apply for short-term work in the wake of the Corona pandemic in order to prevent mass layoffs – in 2020, millions of employees in Germany were receiving short-term work benefits (Kurzarbeitergeld) and the Federal Employment Agency took on a part of the costs for social security contributions and lost net wages.

5.1 Calculation, scale, and duration of benefits

The amount of short-term benefits that you receive are calculated based on the difference between your current job wages (after losing hours) versus the amount you should be earning (your typical salary before losing hours).

The Employment Agency (Agentur für Arbeit) calculates the flat-rate net pay from the two gross salaries. Employees receiving short-term work benefits get 60% of their lost net wages for the first 3 months, while parents receive 7% more. If you've lost at least 50% of your work, this rate increases to 70% (parents: 77%) from the fourth month and 80% (parents: 87%) from the seventh month.



Short-term work benefits can typically only be claimed for 12 months, but this duration was extended to 24 months (December 31st, 2021 at the latest) as a result of the Corona crisis.

Note: If you are a parent in tax class 5, it might be worthwhile to switch to tax class 3 or 4 so that you can receive the increased benefits rate for parents (7% extra) as there are no child allowances (Kinderfreibeträge) in tax class 5. Alternatively, you can apply for a certificate from the Employment Agency stating that your child is registered or provide your employer with a copy of your spouse's income tax card (Lohnsteuerkarte) showing a child allowance.

Tax class 3, a more efficient tax class, also leads to higher short-term work benefits regardless of child allowances.

5.2 Supplementary income (Hinzuverdienst)

Because short-term work benefits can lead to financial bottlenecks for some taxpayers, the rules surrounding supplementary income were amended several times in 2020 alone.

Typically, those who already had a second job before receiving short-term work benefits can continue earning their secondary income without reducing their benefits. If you had secondary income from a system-relevant occupation in March or April of 2020, it won't be offset against your benefits as long as the total (benefits + secondary income) doesn't exceed your typical income (before short-term work started). This regulation was extended to all types of jobs (not just system relevant) from May to December of 2020.

Since January 2021, all income earned on the side while receiving benefits is once again offset against your short-term work benefits. There is one exception to this rule: Minijobs remain exempt from this rule from May 2021 until the end of the same year.

5.3 Benefits top-up (Aufstockung) from your employer

Some employers choose to provide their employees with extra support by voluntarily topping up their short-term work benefits. These top-ups are typically subject to tax, but due to the Corona pandemic, some changes have been made. The second Social Protection Package (Sozialschutz-Paket) determined that these top-ups can remain tax-free as long as they don't exceed 80% of your lost pay when combined with your benefits. This regulation applies until the end of 2021.

5.4 Progressionsvorbehalt

Like all wage replacement benefits, short-term work benefits (Kurzarbeitergeld) are tax-free, but still subject to the so-called *Progressionsvorbehalt*. This means that although the benefits themselves are not taxed, the amount is added to your total taxable income which is used to calculate your tax rate (Steuersatz) – this tax rate is then applied to your regular income (without benefits). If this increase pushes you into the next higher tax rate bracket, it can lead to an additional tax payment. All wage replacement benefits that are subject to the *Progressionsvorbehalt* oblige you to file a tax return for the corresponding tax year.

Note: Tax-free employer subsidies (Arbeitgeberzuschüsse) to short-term work benefits are also subject to the *Progressionsvorbehalt*.

6 Income-related expenses – everything related to your profession

Income-related expenses include all costs that make your work possible. Among other things, these can consist of daily commuting costs, business trip expenses, work equipment purchases, job applications, and professional insurances (i.e. professional liability and employment protection insurances). The Home Office Lump Sum (Home-Office-Pauschale) is also considered an income-related expense.

Each year, the tax office (Finanzamt) automatically includes a 1,000-euro income-related expenses lump sum (Arbeitnehmer-Pauschbetrag) when calculating your taxes without any need for proof. Proof for individual costs is necessary if you wish to exceed this lump-sum amount by claiming additional expenses – so you should hang on to your receipts for equipment purchases, commuter costs, etc. so that you can deduct more from your taxes and secure a higher tax refund.

Note: Even if you had minimal professional expenses throughout the year or you were only employed for a part of the year, you can still claim the entire 1,000-euro lump sum.

6.1 Commuting expenses (Fahrtkosten)

For many employees, commuting expenses rack up the majority of their income-related expenses. Until January 1st, 2021, the commuting allowance (Entfernungspauschale/Pendlerpauschale) allowed you to deduct 30 cents per kilometer traveled to work each day (one-way), regardless of which type of transport you use. As of January 1st, the commuting allowance raised to 35 cents per kilometer.

The commuter allowance, a part of your income-related expenses, has a deduction limit of 4,500 euros per year with a few exceptions:

- Journeys to your primary home if you have a second residence for work (double household)
- Public transportation costs that exceed 4,500 euros per year
- Trips in your own car or company car

You must provide proof of these exceptions if you wish to claim them on your tax return.

6.2 Work equipment (Arbeitsmittel)

All equipment that you require for your professional activities can be deducted as income-related expenses (Werbungskosten). The costs can only be deducted in full if they're almost exclusively used for work-related reasons – if you also use them privately, you will have to split up the costs and only deduct the professional portion.

You have two options: you can either claim the work equipment flat rate of 110 euros, or you can prove your costs individually if they exceed the flat rate amount. Some examples of work equipment include:

- Computers
- Smartphones
- Work attire
- Technical literature
- Briefcases
- Tools
- User software
- Office furniture
- Office supplies

You can deduct up to 800 euros net (952 euros including VAT) in work equipment purchases per year. If you make a purchase that exceeds this limit, you have to depreciate it over the course of multiple years. The number of years varies depending on the device, the Federal Ministry of Finance (provided a full list in their "[AfA-Table](#)" (depreciation for wear and tear).

New: In February 2021, the Federal Ministry of Finance reduced the fixed "operating life" (Nutzungsdauer) of a computer from 3 years to 1 year. This means that, as of 2021, computers, application software, and all "peripheral devices" (printers, scanners, monitors, keyboard, etc.) that exceed costs of 952 euros can be fully deducted in the same year of purchase. The previous 3 year operating life will still apply to equipment purchased before 2021. Ensure you hang on to all invoices and receipts!

Tip: In addition to purchase costs, you can deduct repair, cleaning, and maintenance expenses for your work equipment.

6.3 Home office room (Häusliches Arbeitszimmer)

Even in Corona times, an office in your home can only be deducted if no other workstation is provided to you by your employer (deduction of up to 1,250 euros) or when the core of your work activity takes place in the room (full deduction). The room must meet a few requirements:

- It must be a separate room that is integrated into the *domestic sphere* of your apartment or home
- It should be equipped like an office
- It must be used at least 90% of the time for professional activities
- All residents of the home must have sufficient living space outside of the office room

The Home Office Lump Sum was introduced for the many employees who had to start working remotely due to the Corona pandemic and that don't have a office in their home that meets the above requirements. This lump sum can be claimed in tax years 2020 and 2021 as an income-related expense.

6.4 Job application costs (Bewerbungskosten)

All expenses that arise from job applications are deductible as income-related expenses regardless of whether the application is successful. If they are not covered within the income-related expenses lump sum, the costs must be individually proven.

There are also job application flat rates: the tax office calculates an average of 8.50 euros per written application and 2.50 euros per electronic application.

Deductible Costs

Job Application Materials	Costs for Self-Marketing
· Application folders	· Application photos
· Printer cartridges	· Advertisements
· Envelopes	· Websites
· Transparent folders	· Proportionate telephone costs
· Writing paper	· Proportionate internet costs
· Writing utensils	· Resume/CV designs
· Adhesive utensils	· Application videos
· Postage	· Online advertisements
· Copies	

Research and Training Costs	Travel Expenses
· Courses	· Travel to interviews
· Seminars	· Overnight stays
· Books, guides & journals	· Parking fees
· Translations	· Room & board
· Notarizations	· City maps
· Police clearing certificates	· Costs for accidents on a trip

6.5 Telephone and internet costs

Telecommunication and internet costs can be deducted as long as they were used for professional purposes. There is a flat rate of 20% of the costs with a limit of 20 euros per month.

You also have the option to provide the tax office (Finanzamt) with individual proof of the costs and information on the percentage of personal and professional use. If you do this, there is no limit.

Note: Proving these costs individually is worthwhile for those whose internet/telephone professional expenses exceed 20 euros per month or if the tax office rejects a flat rate calculation.

6.6 Double household management (Doppelte Haushaltsführung)

There are many expenses that can be claimed on your tax return when maintaining two households.

Requirements	Tax-Deductible Costs
· You have a second apartment/home (including a room in a shared apartment) for professional reasons	· Rent and utility costs
· Your second residence is closer to your job than your main residence	· Second residence taxes
· You have a primary residence outside of your place of work	· Broadcasting tax

· Your primary residence is the center of your life, family, etc.	· Costs for journeys back home
· You make a financial contribution to your primary residence (more than 10% of your double household expenses)	· Moving costs
·	· Additional room & board costs
·	· Furniture and equipment

7 Child benefits and child allowances (Kindergeld und Kinderfreibeträge)

7.1 Child benefits (Kindergeld)

In 2020, child benefits amounted to 204 euros per month for each of your first two children, 210 euros for your third child, and 235 euros for each additional child. In 2021 this was raised by 15 euros per child.

Parents who are residents of Germany and subject to unlimited tax liability can apply for child benefits at the family benefits office (Familienkasse). Parents can receive benefits for children up to 18 years of age – if they are older, benefits can only be received if the child is studying or completing an apprenticeship (Ausbildung).

Once a child reaches 25 years of age, benefits can no longer be claimed for them unless they have a disability and cannot support themselves.

7.2 Child allowances (Kinderfreibeträge)

Unlike child benefits, child allowances are not paid to you directly and you also don't need to apply for them. Instead, they are deducted from your taxable income when calculating your income tax, thus, reducing your tax burden. Your child benefits (Kindergeld) can be considered advance payments on your child allowance at the end of the year.

Tax-free child benefits and child allowances both exist to ensure that parents have enough funds to secure their children's existence. Child allowances are divided into two parts: allowance to secure the existence minimum for children and the allowance for childcare, daycare, and education needs (BEA).

Child allowances for the year 2020 totaled 7,812 euros for married parents who are assessed together (Zusammenveranlagung). In 2021, this amount rose to 8,388 euros. Single parents, widowed parents, and parents not subject to unlimited tax liability are also eligible for child allowances. The child's age limit is the same for child allowances as it is for child benefits, with the same exceptions. Before you start worrying about whether child benefits/allowance provide you with a tax advantage, you should know that the tax office (Finanzamt) automatically carries out a "more favorable tax assessment" (Günstigerprüfung) and applies the option that is most beneficial to you. First, your tax burden on your taxable income is calculated, then, your tax burden is reduced by your child allowances. If the difference between these two amounts exceeds the amount of child benefits that you've received, then the result is beneficial – this means child allowances are most beneficial for parents with higher income.

8 Special expenses (Sonderausgaben)

Deductible expenses contributing to your daily life that cannot be claimed as income-related expenses (Werbungskosten) or business expenses (Betriebsausgaben) are called special expenses (Sonderausgaben). Unlike income-related expenses, the amount in special expenses that one can claim is regulated according to their income and sometimes limited to maximum amounts.

A lump sum of 36 euros (single taxpayers) or 72 euros (married taxpayers) is automatically deducted from employee income for special expenses – of course, most taxpayers can deduct much more if they list their expenses individually in their tax return. The extra effort is worthwhile as it can contribute towards a larger tax refund!

Special expenses can be divided into four categories:

- Expenses for retirement provisions (Altersvorsorge)
- Other provident expenses (Vorsorgeaufwendungen)
- General special expenses
- Other special expenses

8.1 Expenses for retirement provisions (Altersvorsorge)

A maximum annual amount of 25,046 euros can be deducted per year for retirement provisions as special expenses.

Expenses for retirement provisions include
• Statutory retirement insurance
• Certain private retirement insurances
• Occupational pension schemes
• Riester pensions
• Rürup pensions
• Agricultural old-age insurance (landwirtschaftliche Altersklasse)

Note: The amount you can deduct for retirement provisions is increased by 2% each year. In 2020, 90% of these costs were already deductible. By 2025, there will be no limit anymore – you will just need to deduct your employer’s contribution and receive the total of your personal contributions to old-age deductible provisions. In return, retirement contributions must be taxed on a pro rata basis when being paid out and will be taxed in full starting in 2040.

8.1.1 Information on retirement and life insurance policies

Contributions to retirement (Rente) and life insurance policies (Lebensversicherungen) can be deducted from your taxes as long as they meet a few requirements. Annuity insurance policies with or without a lump-sum option as well as all life insurance policies must have at least a 12-year term. The first premium payment must also have been made before January 1st, 2005.

8.1.2 Riester Pensions

All employees are typically eligible for Riester pensions as long as they are also making contributions towards their statutory retirement insurance. The state subsidy is always the same regardless of which Riester pension option is chosen. It consists of tax savings and direct allowances – the maximum allowance amount being 175 euros a year per employee.

If you are a parent, this allowance is increased to 185 euros with an increased allowance of 300 euros for children born after 2007. A one-time “career starter bonus (Berufseinsteigerbonus)” of 200 euros can be received by those under 25 years of age.

Up to 2,100 euros per year in Riester pension contributions can be deducted per year from your taxes.

Who can't profit from Riester	Riester pension variants
<ul style="list-style-type: none"> Students who are not subject to retirement insurance 	<ul style="list-style-type: none"> Fund savings: recommended for younger people
<ul style="list-style-type: none"> Those compulsorily insured with occupational pension schemes 	<ul style="list-style-type: none"> Riester insurance
<ul style="list-style-type: none"> Marginally employed persons (mini-jobs) who do not pay retirement insurance 	<ul style="list-style-type: none"> Bank savings: recommended for older people
<ul style="list-style-type: none"> Those who already receive pension/retirement insurance payments 	<ul style="list-style-type: none"> „Wohn-Riester“
	<ul style="list-style-type: none"> Unit-linked (fondsgebundene) insurance

8.1.3 Rürup pension

Rürup pensions are fully funded, not pay-as-you-go. Instead of being paid out in one lump sum, they are paid out monthly and earn interest over time. Rürup pensions are colloquially called “basic pension,” in which the state provides special support for the policyholder.

Note: Rürup pensions are primarily intended for self-employed persons that cannot take out state subsidized Riester contracts.

8.2 Other provident expenses

Up to 1,900 euros in other provident expenses can be deducted per year (2,800 euros for freelancers). Basic contributions to health insurance and nursing care insurance can be deducted in full even if they exceed the maximum amount – however, in this case, you cannot deduct any additional provident expenses.

Other provident expenses include
<ul style="list-style-type: none"> Unemployment insurance (Arbeitslosenversicherung)
<ul style="list-style-type: none"> Health insurance (Krankenversicherung)
<ul style="list-style-type: none"> Nursing care insurance (Pflegeversicherung)
<ul style="list-style-type: none"> Accident insurance (Unfallversicherung)
<ul style="list-style-type: none"> (Occupational) disability insurance (Erwerbs- und Berufsunfähigkeitsversicherung)
<ul style="list-style-type: none"> Liability insurance (Haftpflichtversicherung)
<ul style="list-style-type: none"> Risk insurance (Risikoversicherung)
<ul style="list-style-type: none"> Life insurance (Lebensversicherung)

8.3 General special expenses

The maximum deductible amount for general special expenses varies based on what the expense was for.

General special expenses include
<ul style="list-style-type: none"> Alimony payments (Unterhaltszahlungen) for an ex-spouse when divorced or permanently separated (max. 13,805)
<ul style="list-style-type: none"> Expenses for childcare (<i>Kinderbetreuungskosten</i>, 2/3 of the costs, max. 4,000 per child)
<ul style="list-style-type: none"> Church tax (<i>Kirchensteuer</i>, no limit)
<ul style="list-style-type: none"> School fees (<i>Schulgeld</i>, 30% of the costs, max. 5,000 euros)
<ul style="list-style-type: none"> Donations (<i>Spenden</i>, see below)
<ul style="list-style-type: none"> Expenses for first apprenticeship (Berufsausbildung) or first degree (max. 6,000 euros)

8.3.1 Donations (Spenden)

Money donations and donations in kind can both be deducted as special expenses if they meet certain conditions. The maximum deductible amount varies on their purpose:

A sum amounting to 20% of your annual income can be deducted for donations to **tax-privileged organizations**.

Up to 50% of your donations to **political parties** and **voters associations** are tax-deductible as long as they do not exceed 1,650 euros.

Donations that don't exceed 200 euros (as of 2021, 300 euros) can be claimed on your tax return without submitting proof (Spendenbescheinigung) to the tax office (Finanzamt).

Donations are deductible if...	You can submit a simplified proof for...
<ul style="list-style-type: none"> · non-profit organizations benefit from them 	<ul style="list-style-type: none"> · donations following disasters
<ul style="list-style-type: none"> · they support tax-privileged purposes 	<ul style="list-style-type: none"> · non-profit organizations
<ul style="list-style-type: none"> · they are made voluntarily without a promise of compensation 	<ul style="list-style-type: none"> · government agencies
<ul style="list-style-type: none"> · they can be proven with donation receipts 	<ul style="list-style-type: none"> · political parties and independent voter associations

8.4 Other special expenses

Costs for the restoration or renovation of historical monuments and cultural artifacts which are occupied for your own residential purposes are tax-deductible as special expenses. 9% of these costs can be deducted annually over the course of 10 years.

9 When the going gets tough – Extraordinary expenses

Extraordinary expenses are costs that exceed the 'reasonable burden' that taxpayers with a similar income, family status, and assets face. These expenses can be claimed on your tax return if they are unavoidable and necessary – more specifically, they cannot be avoided for legal, moral, or factual reasons.

The purpose of extraordinary expenses is to prevent unreasonable hardships for those paying income tax, but this does not mean that they are unconditionally recognized by the tax office (Finanzamt).

Extraordinary expenses are divided into two groups:

9.1 Special extraordinary expenses

Special extraordinary expenses (besondere außergewöhnlichen Belastungen) are limited to:

- Alimony payments (*Unterhaltsleistungen*, deductible up to the limit of the basic tax-free allowance)
- Educational allowance for adult children pursuing a degree/apprenticeship (up to 924 euros)
- Disability allowance (maximum amount varies based on severity of disability)
- Nursing care allowance (maximum amount varies depending on the degree of care)
- Survivor allowance (up to 370 euros)

There are lump sums and allowances for special extraordinary expenses, they are deductible from the first cent. You can find out more about lump sums in [Section 10: Lump sums and allowances](#).

9.2 General extraordinary expenses

General extraordinary expenses (allgemeine außergewöhnlichen Belastungen) refer to expenses that arise from extraordinary life events such as illnesses or environmental disasters. These can include, but are not limited to:

- Medical expenses
- Travel costs to the doctor
- Care costs for your parents
- Funeral costs
- Equipment costs to make a residence suitable for handicapped persons
- Personal contributions towards the Foreign Affairs Office's repatriation campaign for residents of Germany stranded abroad due to Corona

General extraordinary expenses can only be deducted if they exceed the "reasonable burden" amount.

9.2.1 Reasonable burden (zumutbare Belastung)

Your individual "reasonable burden" amount varies based on your income, amount of dependents, and tax rate. This amount is then deducted from your extraordinary expenses and only the costs that exceed this amount can be deducted from your taxes.

Reasonable burden assessment	
•	Income up to €15.340: no children, unmarried 5%; no children, married 4%; 1-2 children 2%; 3 children or more 1%
•	Income from €15.341 to €51.130: no children, unmarried 6%; no children, married 6%; 1-2 children 3%; 3 or more children 1%
•	Income above €51.131: no children, unmarried 7%; no children, married 6%; 1-2 children 4%; 3 or more children 2%

9.2.2 Medical expenses

Medical expenses due to an illness can be deducted as extraordinary expenses if they meet certain conditions.

Deductible medical expenses	
•	Expenses for inpatient or outpatient treatment
•	Hospital costs
•	Illness-related accommodation in a nursing home (for yourself)
•	Laser eye surgery
•	Healing remedies that are not recognized by your health insurance
•	Cures that heal or relieve an illness
•	Prescribed medicines, remedies, and aids
•	Travel costs to the doctor or pharmacy
•	Treatment for reading/writing disabilities
•	Costs for an outpatient nurse

Your proof of your medical expenses must have been issued before the treatment/remedy started. A prescription from a doctor or practitioner is required as well a certificate from a public health officer or from your insurance. To prove travel expenses when travelling to your spouse or child receiving medical treatment, a certificate from the hospital's physician (where they're being treated) is required.

Note: If your health insurance did not already refuse to cover your medical costs, they cannot be claimed on your tax return.

10 Lump sums (Pauschalen) and allowances (Freibeträge)

10.1 Lump sums (Pauschalen)

Lump sums are used to make a portion of your income tax-free, and your local tax office (Finanzamt) recognizes them without requiring you to provide proof. If your expenses exceed the lump sum amount, you can write them off individually on your taxes; otherwise, if your expenses do not reach the lump sum amount, they are deducted automatically.

Some lump sums are automatically deducted from your taxes (marked with "A" in the following table), while others are only deducted under their corresponding circumstances (marked with "B").

Lump sum examples
• Age relief amount (Altersentlastungsbetrag): max. 760 euros (A)
• Nursing care lump sum (Pflege-Pauschbetrag): 924 euros (as of 2021: up to 1,800 euros depending on the degree of care) (B)
• Savers' allowance (Sparer-Pauschbetrag): 801 euros (B)
• Moving costs lump sum (Umzugskosten-Pauschale): As of June 1 st , 2020: 860 euros for singles, additional 573 euros for each additional person (partner, spouse, child, etc.) (B)
• Commuter allowance (Entfernungspauschale): 30 cents per Kilometer (as of 2021: 35 cents from the 21 st kilometer one-way) (B)
• Income-related expenses lump sum (Werbungskostenpauschale): 1,000 euros (Retirees: 102 euros) (A)
• Room & board lump sum (Verpflegungspauschale): 14 euro for 8+ hours absent, 28 euros for 24 hours absent (B)
• Volunteering lump sum (Ehrenamts-Pauschale): 720 euros (as of 2021: 840 euros) (B)
• Special expenses lump sum (Sonderausgaben-Pauschbetrag): 36 euros for single persons, 72 euros for married persons (A)
• Disability allowance (Behinderten-Pauschbetrag): 310-1,420 euros depending on severity of disability (as of 2021: 384 to 2,840 euros) (B)

10.2 Allowances (Freibeträge)

There are allowances (German: Freibeträge) that exempt a certain amount of income from taxation, and those who exceed this amount must pay tax on the excess income. The most notable is the basic tax-free allowance (Grundfreibetrag) which is automatically deducted from your taxable income to secure the minimum subsistence level. An exemption limit (Freigrenze) behaves differently: if the limit is exceeded the entire amount is taxed.

Regarding income tax assessment (Lohnsteuerveranlagung), allowances are approved in the Income Tax Act (Einkommensteuergesetz), Inheritance Tax Act (Erbchaftsteuergesetz), and Corporate Income Tax (Körperschaftsteuergesetz).

Important allowances (exemption limits)
· Basic tax-free allowance (Grundfreibetrag): 9,408 euros (as of 2021: 9,744 euros)
· Education allowance (Ausbildungsfreibetrag): 924 euros
· Child allowance (Kinderfreibetrag): 2,586 euros per parent (as of 2021: 2,730 euros)
· Daycare and childcare allowance (Erziehungs- and Betreuungsfreibetrag): 1,320 euros per parent (as of 2021: 1,464 euros)
· Discount allowance (Rabatt-Freibetrag): 1,080 euros

11 More valuable information

11.1 Household-related services

Household-related services (Haushaltsnahe Dienstleistungen) are services/activities in your household for which you hired a company or self-employed service provider. This can include domestic help, nursing services, and tradespeople services.

Tradesperson labor and travel costs as well as consumables and machinery can be deducted from your taxes, while material costs cannot. There is a distinction between **tradespeople services** and other **household-related services**: up to 20% of the costs for household-related services can be claimed per year (with a maximum limit of 4,000 euros), an additional 20% of labor costs can be deducted for tradespeople services (maximum limit of 1,200 euros).

Deducting tradespeople services from your taxes is limited to maintenance, repairs, or renovations – the service cannot create something new. You are required to have an official itemized invoice from the company or freelancer that you paid with a bank transfer, direct debit, or credit card. You cannot claim services that were paid for in cash.

Note: Many don't know that part of your landlord's utility bill can also be claimed on your tax return to easily deduct a few hundred euros. Simply review your utility bill, but keep in mind that you can only claim labor costs (chimney sweep, gardener, etc.), not material expenses.

Good to know: Your household-related service expenses are deducted directly from your calculated tax liability, which can help result in a large tax refund.

Deductible costs at a glance
· Home cleaning
· Meal prep
· Childcare / care for people in need
· Renovation costs
· Garden maintenance
· Repair costs
· Snow removal services
· Animal care and dog walking services
· Janitorial services
· Window cleaning

11.2 Capital gains (Kapitalerträge) and savers' allowances (Sparerpauschbetrag)

Profits from financial investments, also known as capital gains, are subject to withholding tax (Kapitalertragsteuer) which is deducted directly from the source. This means that the bank, insurance company, etc. will automatically deduct the tax from your capital gains and forward it to the necessary financial authority.

Examples of capital gains
· Share sales
· Income from funds
· Income from certificates
· Interest on checking or savings accounts
· Dividends

The **savers' allowance (Sparer-Pauschbetrag)** exempts up to 801 euros of your capital gains from being taxed, this amount is doubled (1,602 euros) for married couples who are assessed together (Zusammenveranlagung).

11.3 Rental income (Mieteinnahmen)

Rental income, a part of „income from renting and leasing“ (in the Income Tax Act: *Einkünfte aus Vermietung und Verpachtung*) must be declared in your income tax return and taxed accordingly. The amount of tax that must be paid on rental income varies depending on your individual tax rate (Steuersatz). Claiming allowances (Freibeträge) and income-related expenses (Werbungskosten) can help reduce the tax burden.

Examples of rental income
· Renting a house
· Subletting an owned apartment
· Subletting an apartment in your home
· Subletting a vacation home
· Renting property
· Subletting a room in your apartment

Note: Income from renting and leasing is taxed domestically in the country where the property is located. Therefore, if you are renting out a vacation home in Spain, you have to declare the rental income and related expenses on your Spanish tax return.

11.4 Foreign income

Anyone registered as a German resident with their primary residence in Germany are subject to unlimited income tax liability. As a result, all income (whether domestic or abroad) is liable to German taxes. In addition, the country where you've received your foreign income will also deduct tax – this is not unusual and is referred to as the “source principle” (German: Quellenprinzip).

Germany has signed agreements with 70 countries so far to help taxpayers avoid double taxation. This can be avoided with two different methods:

11.4.1 Exemption method (Freistellungsmethode):

This is the most typical method. This ensures that income earned abroad is tax-exempt in Germany, however it is still subject to the *Progressionsvorbehalt* – meaning the amount is added to your taxable income to calculate your tax rate, and your tax rate is then applied to your income *without* the foreign income.

11.4.2 Imputation method (Anrechnungsmethode):

Your foreign income is recorded in Germany and the tax you paid abroad is deducted from your German tax burden.

11.5 Monetary benefits (Geldwerter Vorteil)

Monetary benefits can be awarded by your employer in addition to your salary and must be taxed the same way. There are a few exceptions to this rule that allow you to receive tax-free monetary benefits:

11.5.1 Discount allowance (Rabatt-Freibetrag)

Employees who receive discounts on wares and services that their company provides are entitled to 1,080 euros in tax-free company savings, any discounts above this tax-free limit are subject to tax. This includes discounts on (or free) hotel rooms for hotel employees, cars for auto salespeople, etc. Frequent flyers can also use their bonus miles from business travels for a personal vacation if their employer approves it – but the rule remains the same, if the received benefits extend above the 1,080-euro limit, the excess amount will be taxed.

11.5.2 De minimis or exemption limit (Bagatell- or Freigrenze)

Tax-free benefits in kind are limited to a value of 44 euros per month. Contrary to allowances (such as the discount allowance), the entire value of the benefits in kind must be taxed as soon as they exceed 44 euros a month – not just the excess value.

Some examples of benefits in kind include merchandise or gasoline coupons, high-quality promotional gifts, a company Christmas party, company outings, job tickets for public transportation, or gym memberships.

Note: Benefits in kind such as your employer taking over childcare costs for non-school age children, or a work cellphone/laptop are generally tax-free if they are an employer loan.

11.6 Severance packages and the one-fifth method

When companies experience financial difficulties or lack of work it is typically inevitable that they will have to let some employees go. In Germany, employees are lucky enough to have protection against unlawful dismissals; therefore, many companies offer one-time severance packages as a compensation when terminating an employee even though employees aren't technically always entitled to them. If an employee accepts the severance package offer, they cannot take legal action for the dismissal.

Since 2006, severance packages have been treated as taxable wages, just like your typical salary. They are entered on your tax return as extraordinary income (außerordentliche Einnahme). Extraordinary income can be taxed according to the one-fifth method (Fünftelregelung) in Germany which divides the taxation over a course of five years, as if you had received the payment in five installments. Taxpayers can choose whether they'd like to take advantage of the one-fifth method or tax it all in one go – if the one-fifth method is chosen, a tax return is mandatory.

12 Changes to tax in 2021 – Brief tips for your 2022 tax return

In this section, we'll provide you with a brief summary of all the known tax-related changes in 2021. There's plenty of good news!

12.1 Allowances, child benefits, and relief for single parents

The **basic tax-free allowance (Grundfreibetrag)** was increased to 9,744 euros (previous amount: 9,408 euros). This is automatically deducted from your taxable income amount and only the income that remains is taxed.

Child allowances (Kinderfreibeträge), including the allowances for daycare and childcare, were increased to 8,388 euros (previous amount: 7,812 euros). This amount is valid for parents who are assessed together, 4,194 euros per parent.

Child benefits (Kindergeld) increased by 15 additional euros monthly per child:

1st child: 219 euros (previously: 204 euros)

2nd child: 219 euros (previously: 204 euros)

3rd child: 225 euros (previously: 210 euros)

4th child: 250 euros (previously: 235 euros)

In 2020, the **relief amount for single parents (Entlastungsbetrag für Alleinerziehende)** was increased to 4,008 euros for years 2020 and 2021 (previously: 1,908 euros). In the 2020 Annual Tax Act, it was declared that this amount will now extend beyond 2021.

12.2 Relief from lump sums

The **home office lump sum (Home-Office-Pauschale)** enables you to deduct 5 euros per day spent working from home in 2020 and 2021. You can deduct a maximum of 600 euros per year, so 120 days spent working from home.

In 2021, the **commuter allowance (Entfernungspauschale)** increased from 0.30 cents to 0.35 cents from the 21st kilometer (one-way) of your daily work commute.

The **nursing care lump sum (Pflegepauschbetrag)** doubled in 2021 and now amounts to 1,800 euros for care levels 4 and 5 (previously 924 euros). Those receiving care levels 2 and 3 can also now claim a lump sum of 600 and 1,100 euros respectively.

In 2021, the **disability allowances (Behinderten-Pauschbeträge)** increased for the first time in 45 years. The amount depends on the degree and severity of one's disability (on a scale from 10-100): those with a 20-degree disability can claim a lump sum of 384 euros (previously 0) and as the severity increases the amount can increase up to 2,840 euros (previously 1,420). Those with severe disabilities according to §33b paragraph 6 of the Income Tax Act (EStG), such as blind and deaf persons, receive the doubled allowance of 7,400 euros (previously 3,700).

The **volunteering lump sum (Ehrenamtszuschuss)** was raised to 840 euros (previously 720) and the **lump sum for trainers (Übungsleiterzuschuss)** to 3,000 euros (previously 2,400) in order to help strengthen associations and volunteering organizations.

12.3 Short-term work (Kurzarbeit)

During 2020, short-term work regulations were adjusted multiple times to account for the Corona crisis. Most recently, it was determined that those receiving short-term work benefits (Kurzarbeitergeld) can continue receiving them until the end of 2021. The temporary increase in benefits over time was also extended to the end of 2021.

Employer top-ups (Arbeitgeberzuschüsse) to short-term work benefits also remain tax-free until the end of 2021.

Corona bonuses (Corona-Sonderzahlungen) granted by your employer that amount up to 1,500 euros remain tax-free until December 2021.

As of 2020, all supplementary income earned on the side while receiving short-term work benefits will be offset against them.

Exception: Minijobs will not be counted against your benefits until after the end of 2021.

12.4 Sales tax (Mehrwertsteuer)

Sales tax was decreased from 19% to 16% (reduced tax from 7% to 5%) until the end of December 2020 to help provide relief during the Corona crisis. As of January 2021, these percentages were returned to their normal amounts.

12.5 Solidarity surcharge (Solidaritatzuschlag)

Taxpayers with incomes up to 61,717 euros annually will no longer have to pay a 5.5% solidarity surcharge after almost 30 years of this being due. For those who still pay the surcharge, there is a so-called mitigation zone (Milderungszone) that prevents the surcharge from exceeding 11.9% of the difference between their income tax and the exemption limit. Only capital investors and top earners with income exceeding 96,409 euros are subject to the full solidarity surcharge of 5.5%.

12.6 Income tax rate (Einkommensteuertarif)

In 2021, the income thresholds that push taxpayers into the next higher tax rate shifted by 1.25%. For example, the top tax rate (Steuersatz) of 42% now applies to those with incomes of at least 57,919 euros (previously 55,961).

12.7 Donations (Spenden)

Simplified proof for donations is now possible for annual donations up to 300 euros (previously 200). Organizations for climate protection, free radio, and local beautification were added to the catalog of non-profit organizations, meaning donations towards these purposes are now tax-deductible.

12.8 Old-age provisions (Altersvorsorge)

The amount of tax-deductible contributions towards old-age provisions increases by 2% per year, in 2021, this amount is 92%.

12.9 Wage tax reduction (Lohnsteuerermaigung)

If you apply for an income tax reduction at the tax office (Finanzamt), you are required to submit a tax return in the following year unless your income doesn't exceed 12,200 euros (previously 11,900 euros). For married couples who are assessed together, this limit is 23,250 euros (previously 22,600).

12.10 Mindestlohn

The minimum wage will be raised twice in 2021. On January 1st, 2021, it was raised to 9.50 (from 9.35) per hour, and on July 1st, 2021, it will increase again to 9.60 euros.

13 The simplest way to file your taxes: wundertax

Wundertax offers a simple, fast, and stress-free way to file your taxes – no prior knowledge required! We designed interview questions tailored to different target groups so that you don't miss any deductible expenses. While you enter your data into our easy-to-understand templates, our live tax calculator is constantly updating to show you your estimated tax refund based on your entries.

Our tax tool is connected to ELSTER, Germany's official state tax software. Therefore, your data submission to the tax office is protected by the same high security standards.

In addition to numerous predetermined lump sums, you can deduct countless other expenses. This includes:

- Insurances (Versicherungen)
- Moving costs and double household maintenance
- Costs for business trips
- Job application costs
- Commuting costs
- Union dues and membership fees for professional associations (Berufsverbände)
- Home office and remote work costs (incl. telephone & internet costs)
- Costs for volunteering
- Household-related expenses (Haushaltsnahe Dienstleistungen)
- Child and pet care costs
- Retirement provisions
- Tradespeople and renovation costs
- Extraordinary expenses (Außerordentliche Belastungen) such as medical or disability costs
- Donations (Spenden)
- Much more...

Other advantages that wundertax has to offer:

- Clever tax tips and integrated optimization checks
- Wundertax's online tools are cheaper than any tax consultant
- Simple interview questions instead of complicated tax forms
- Automatic submission of your official documents
- Good for those with little time to spare
- Good for those without prior tax knowledge or who are submitting their first tax return
- Wundertax considers all professional costs and lump sums
- Wundertax's tools are recognized by all German tax offices (Finanzämter)
- Your tax return can be submitted up to 4 years retroactively (up to 7 years for loss carryforwards by students pursuing a second degree)
- Our customer support will assist you every step of the way
- TÜV-tested customer satisfaction (Rating: Very good)

[Submit your tax return now and secure your tax refund!](#)

About wundertax

We are wundertax and our goal is to provide you with your ideal tax solution by making taxes simple and stress-free. With us, you can submit your tax return easily, fast, and inexpensively – without any prior knowledge!

Our live tax calculator updates along with your entered values so that you can always see your estimated tax refund. If you have any questions, our customer service is always happy to assist you. TÜV checked our customer satisfaction and we were awarded with the rating “very good.”

Wundertax doesn't only help traditional employees – we strive to provide a tax solution for everyone including students, apprentices, expats, police officers, teachers, fire fighters, and soldiers. You can find the portal that fits your needs on our homepage: www.wundertax.de/en



Legal imprint:

wundertax GmbH
Schützenstraße 5
10117 Berlin
support@wundertax.de
<https://wundertax.de/en>

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Note from the publisher:

wundertax does not offer tax consultancy – wundertax is a service provider that assists you in preparing your tax return yourself. This guide should help you prepare your tax return quickly and easily. For this purpose, we've compiled the most important information for you and have tried to present the necessary facts as simply as possible.

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Due to the simplified nature of this guide, there may be minor inaccuracies; furthermore, it cannot be ensured that the latest changes in tax law are always reflected in this document. For this reason, we must exclude liability and guarantees for completeness and accuracy.