

*Make it in Germany*

## **Working and Living in Germany**

Your Individual Information Package



**Bundesagentur für Arbeit**

International and  
Specialized Services



## Tax law

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### General information

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In Germany, income – salaries, pensions, benefits, revenues from assets, inheritances, gifts or from other sources – is taxed. The most important tax for workers is the income tax, which is paid with each salary received. As a rule, it is the case that a person with worldwide income is taxed in the country in which he or she is usually resident for tax purposes. Information about tax laws in Germany is summarised in the [“Your Europe”](#) portal of the European Commission.

However, a few aspects need to be borne in mind. As a rule, the country in which somebody works has the right to charge tax on the income which is received there. However, before it is determined where the employee (citizen) must pay tax, the ordinary place of residence for tax purposes must be established. This is done by the competent fiscal authorities of the respective country. For this matter, it must be ensured that the calendar year is always taken into account in tax matters. The ordinary place of residence for tax purposes is the place where employees live from a tax point of view. The process is carried out as follows in accordance with the so-called key questions rule:

- Determination of place of abode,
- Determination of the centre of a person's life,
- Determination of the permanent place of residence,
- Determination of citizenship,
- Determination of the competent authorities.

If it can be clarified after the first (second, third, etc.) question as to in which country workers live from a tax point of view, the subsequent questions become irrelevant. As a rule, it is the case that a person with worldwide income is taxed in the country in which he or she is ordinarily resident for tax purposes. More detailed information can be obtained from the local tax office or the [Federal Ministry of Finance](#).

## Tax identification number (IdNr)

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Should the place of residence have been registered at the residents' office in Germany, the information will also be communicated to the competent tax office. This usually issues the tax identification number by post to the registered address. Should you have lost the IdNr it can be resend by the Federal Central Register for tax by means of a [form](#).

## Income tax

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Income tax is payable on all income of a calendar year. An overview of the taxes which must be paid is contained in the "[Working in Germany](#)" advice sheet of Make it in Germany. The income of foreign workers is taxed under the following conditions:

- Anybody who is present in Germany for more than six months a year is usually resident in Germany for tax purposes. This means that they must pay tax here on all of their worldwide income.
- If employees neither maintain their place of residence in Germany nor are they usually resident here, they usually only pay taxes in Germany on the income which was generated here.

The income tax is automatically deducted from the gross salary each month and remitted to the tax office. Income tax is charged on income from employment. The term income tax can also include revenues from renting out or leasing property, for example. Further tax deductions from the gross salary are the solidarity supplement and church tax (if a person is a member of the church community which charges this).

For all citizens in Germany, there is a personal tax allowance. Up to this amount, the generated income is tax free. The purpose of the personal tax allowance is to ensure the minimum amount needed for existence.

Should the income on which tax is payable be above the named amounts, the income tax will be paid on this. The rule is as follows: the higher the income on which tax is payable, the higher the tax rate. The amount of income tax does not only depend on the income, but also the family situation is taken into account. All tax payers are assigned to so-called income tax classes.

## Income tax classes

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All tax payers in germany belong to a tax class, which determines the amount of tax payable. As described in the advice sheet "[Working in Germany](#)" of Make it in Germany, the following tax classes exist:

- Tax class 1: for single persons, for employees without a compensatory contribution for lone parents, spouses or civil partners who permanently live apart, divorcees;
- Tax class 2: for single parents entitled to the compensatory contribution;
- Tax class 3: for married employees or employees in a partnership if a spouse or civil partner does not work or earns significantly less (the other spouse or civil partner is then assigned to tax class 5);
- Tax class 4: for spouses or civil partners whose income is similar;
- Tax class 4 multiplied: employees who are married or in a partnership can apply for the entry of a multiplication each year. This takes into account the expected joint income tax to be paid in accordance with the splitting procedure;
- Tax class 5: for employees who are married or in a partnership whose spouse or civil partner belongs to tax class 4;
- Tax class 6: For all persons who have two or more jobs

## Income tax declaration

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After the expiry of a calendar year, the government can check whether too much income or wage tax has been paid. For this purpose, an income tax declaration is submitted to the tax office. With the information concerning the actual income and financial commitments, the government can check whether the tax payer is entitled to a refund. The tax declaration forms are available at the tax office or can be downloaded from its homepage. It is also possible to submit the tax declaration via the [ELSTER portal](#). The income tax declaration can also be completed by tax accountants or an income tax assistance association.

## Income tax declaration

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There is the risk of income being taxed twice if two countries have the right to tax the income – for example in the following cases:

- Employee lives in one EU country but works in a different member state (border commuter);
- Employee is posted abroad for a short time;
- Employee is seeking for work abroad and has received unemployment benefit;
- Employee lives in a country as a retiree and receives a pension from another country.

Bilateral double taxation treaties can prevent income from being taxed twice. Such a treaty exists between Germany and all EU member states, the EEA countries and Switzerland. Germany has concluded corresponding treaties with many other countries. Information about which countries are included can be obtained via the [Federal Ministry of Finance](#).

## Links

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[Federal Ministry of Finance: Information on double taxation agreements and additional country-related publications](#)

[Bundesministerium der Finanzen: Informationen zur Einkommenssteuer:](#)

[Bundeszentralamt für Steuern: Formular zur Beantragung der Steuernummer  
Entgeltatlas](#)

[European Commission: Information on taxes in the EU](#)

[European Commission: Informationen in the Portal "Your Europe" für citizens and companies](#)

[Europäische Kommission: Informationen zu Steuern in der EU](#)

[Make it in Germany: Information on taxes in Germany](#)

[Make it in Germany: Guide "Working in Germany"](#)

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**For further questions do not hesitate to contact the  
Make it in Germany – Migration Support Center of the  
International and Specialized Services (ZAV) of the  
Federal Employment Agency.**

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