



Information about the taxation system in Germany

In general, people from overseas who are living and working in Germany are subject to taxation in the same way as Germans are. That means for example that there will be a certain amount of money subtracted from your salary every month. If you look at your salary you will encounter the two expressions “brutto” and “netto” which can be translated by before and after tax.

The mentioned tax deductions can be divided further into two parts:

Firstly, there is the Lohnsteuer/income tax which varies between 14% and 45% of your pre-tax income. The subtracted amount depends on your salary as well as on your Steuerklasse/tax class.

Secondly, there are the Sozialabgaben/social charges, such as Krankenversicherung/health insurance, Rentenversicherung/annuity assurance, Arbeitslosenversicherung/unemployment insurance, Pflegeversicherung/long term care insurance and Solidaritätszuschlag/solidarity surcharge. They add up to about 25% of your pre-tax income.

STEUERKLASSEN/ TAX CLASSES:

There are 6 different tax classes in Germany. It depends on your family status in which class you will find yourself:

Steuerklasse 1: Singles

Steuerklasse 2: Single Parents

Steuerklasse 3: Married (in combination with 5) recommended when one partner is not working or if the incomes differ a lot

Steuerklasse 4: Married (both partners in 4) recommended when both partners are working and their salaries are similar

Steuerklasse 5: Married (in combination with 3)

Steuerklasse 6: Second employment contract

So if you are married, you can choose either the combination of Steuerklasse 3&5 or 4&4 for you and your husband/wife.

ATTENTION:

your status as “married” will only be taken into account for German taxation if your wife or husband holds residence in Germany as well. If not, you will automatically be put in Steuerklasse 1.

You can apply for a change of your tax class. That would make sense if you are in Steuerklasse 1 and your wife or husband joins you to live in Germany. In that case, you might want to change to Steuerklasse 3 or 4 in order to profit from the benefits for married people. The demand should be sent to the Finanzamt Magdeburg/ tax office.

You can find its address here: <https://finanzamt.sachsen-anhalt.de/index.php?id=29561>

and the application form here: <https://www.formulare-bfinv.de/ffw/form/display.do?%24context=BD1D66EDEABB189B55F>

STEUERERKLÄRUNG/ ANNUAL TAX DECLARATION:

Not everybody has to submit a Steuerklärung/tax declaration, but everybody is allowed to do so. Why is that? If you are single and employed for example, you don't have to. If you have several jobs or if you are married (and chose Steuerklasse 5&3 for you and your partner) however, you are obliged to submit a Steuerklärung/ tax declaration. But even if you don't have to it, it could be worth it - because you might get a tax refund! If you belong to the group which is obliged to submit, you will get a notification from your Finanzamt/tax office. If not, you are obliged to, but you can still submit one voluntarily.

In both cases we recommend you seek support from a professional tax accountant (Steuerberater/in) to do your tax declaration, especially if you are still struggling with the German language. Germany's taxation system is considered to be one of the most complex and complicated ones in the world. Still if you want to do it on your own, you can either fill it in on paper or online.

You should be aware that there are different deadlines for the obligatory Steuerklärung/ tax declaration and the voluntary Steuerklärung/ tax declaration:

- If you are requested to submit one, you will have to do so until the 31 May of the subsequent year or the 31 December of the subsequent year if you hire a tax accountant.
- If you are submitting a declaration voluntarily, you have to do so until 4 years after the end of the indicated tax year.

TAX REFUND:

There are certain expenses which can be listed to get a tax refund after having submitted a Steuerklärung/ tax declaration. Obviously, not all of your costs and expenses can be used to diminish your taxable income, but the following MAY do so:

- donations
- moving to or within Germany for job purposes
- certain insurances
- expenses for vocational education and training

Of course, you need to have proof of those expenses so we strongly recommend you keep all the receipts.

In case you would like to seek professional help, you will find enclosed a list of English speaking tax accountants in Magdeburg.

This document is for information purpose only and does not claim to be exhaustive. It does neither constitute legal advice nor recommendations and cannot replace an individual consultation by a tax accountant.

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