



Property Tax
International



**THE ULTIMATE
TAX GUIDE**
FOR LANDLORDS WITH
PROPERTY IN GERMANY

Introduction

It's no surprise that real estate is one of the best investments you can make. With mortgage interest rates so low and the tax incentives available to buyers, investing in property is a proven way to grow your wealth and increase your income flow.

However, the management of property tax requirements can often act as a deterrent to investors.

Want to know about taxes on income from property in Germany? The German tax system can be tricky – especially if you are not a resident of Germany or you don't speak the language.

But don't worry, **Property Tax International's** tax experts (**PTI Returns**) are here to help!

Every day our team encounters countless questions regarding taxes on income from property in Germany.

We have used some of those questions to create this handy guide on what you need to know about **property taxes in Germany**.





I have rental earnings from my German property, what are my tax obligations?

As a non-resident German property owner, you are obliged to file a non-resident German property tax return. Non-residents are subject to a personal levy on income derived from their German property.

PTI Returns can help you to determine how much tax you pay on rental income, so you avoid overpaying.

How is rental income taxed in Germany?

German law requires every person to pay tax on their income. Therefore, if you rent an apartment or a house, you will have to pay [taxes on the rental income](#).

Once the rental income tax is calculated, a solidarity surcharge of 5.5% is added.

How does the process work?

Advanced income tax payments may be required by the German tax office during the course of the taxation year (in March, June, September, and December).

The German tax office (Finanzamt) then settles both the previous year's income levy and the advance payments for the current year. The advance payments are generally based on the previous year's tax liability.

How can I save from property taxes?

According to the law, all rental income must be reported on your German income tax return, and in most cases, the associated expenses can be deducted. Thousands of German landlords pay more taxes on their rental revenue than they should every year.

Why? Because they do not take advantage of all of the allowable tax deductions in Germany available to landlords. Almost no other investment offers more tax advantages than rental real estate, aside from the possibility for consistent income and capital growth.



Which are the top tax deductions I can claim on my German property tax return?

- » **Financial costs** - If you use outside capital for the property you rent out, these financing costs may be deductible (interest on debt and closing fees can also be considered). In a nutshell, interest on money borrowed to buy or renovate the rental property. You can also claim bank fees associated with applying for finance.
- » **Defects in the construction** - If defects in the construction are repaired, you can deduct the expenses.
- » **Costs for maintenance** - Which expenses are considered maintenance? These could be for example door replacements, installation of electrical systems, etc.
- » **Utility expenses** - On your German tax return, you can also claim utility costs such as heating and hot water.
- » **Real estate agent fees** - You can also deduct the agent letting fees accumulated from renting out your property because they are considered income-related expenses. You can also consider rent collection fees.
- » **House renovation costs** - Renovation costs are tax-deductible because they are considered maintenance expenses.
- » **Appraiser expenses** - The costs of a surveyor (Gutachter) are deductible as acquisition expenses (Anschaffungskosten). A property valuation for the purpose of getting financing or a depreciation valuation of chattels can also be claimed.

- » **Travel expenses that are business-related** - Travel costs are among the most typical business expense deductions. Trips to the property (such as property inspections while a tenant is present), to the bank, and appointments with real estate brokers are all accounted for on your tax return. For this, a mileage logbook should be kept.
- » **Land registry fees** - The land registry costs can be deducted as well.
- » **Janitorial Expenses** - Janitor costs (cleaning and property management costs) / (Werbungskosten).
- » **Interest on debt** - Interest on debt for a rented house and real estate (for construction, purchase, expansion, conversion, and renovation) is deductible as financing costs in Germany.
- » **Notary fees** - Legal expenses incurred during the purchase of the real estate can be deducted from your tax return as acquisition expenditures (Anschaffungskosten).
- » **Ground Rent** - A leaseholder's ground rent (Erbbauzins) is deductible as an income-related cost (Werbungskosten).
- » **Demolition costs** - If the owner intends to use the German property after the demolition, the demolition costs are deductible.
- » **Advertising fees** - The expenses of advertising for tenants are also tax-deductible in Germany.
- » **Gardening and lawn mowing costs.**
- » **Accounting fees** - Fees for the continuous expenses of managing your rental accounts, completing tax returns, and seeking guidance.

Property Tax International (PTI Returns) can help you file your German property tax returns, claim your eligible property expenses, and save on property taxes.

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How can I determine my tax residency status in Germany?

Owners of a rental property in Germany are subject to taxation regardless of whether or not they are tax residents.

To be considered a resident in Germany, the individual's primary residence must be located there or they must spend over 183 days in the country. This amount of time must be during a two-year period.

What do I need to file a German income tax return?

In order to file your German income tax return you will need:

1. **Your tax ID/tax number**
(if you don't have one it will be assigned automatically after you've first filed)
2. **Details of your local tax office**
3. **The IBAN of your German bank account**
4. **Your annual rental statement**
5. **Expense receipts regarding the property**





How is rental revenue calculated in Germany?

Rental income is calculated by using a progressive scale method (from 15% to 42%) depending on the taxable base. The base is determined as the rental earnings are reduced by deducting allowable expenses and depreciation (such as building, fittings, and furniture).

A solidarity surcharge at a rate of 5.5% of income tax has to be paid on top of this only with the tax due exceeding €972. It is advised that non-resident married couples file their returns separately.

Got questions?

[REQUEST A CALLBACK FROM A PROPERTY TAX EXPERT](#)

What are the tax rates in Germany and when is the deadline for filing a return?

The German tax year runs from January to December. **The income tax rate in Germany for non-residents** is progressive ranging from 14% to 42%. If you earn income above €55,961 through the tax year, it will be taxed at 42%.

Very high-income levels of above €265,327 are taxed at 45%. You must file your **German income tax return** (Einkommensteuererklärung) **by 31 July** of the year after you earned the income. **This deadline can be extended to 28 February next year, if an advisor is preparing your return on your behalf.**



What are the German local taxes?

Local Property Tax is applied to real estate in Germany. It is a communal tax levied by the local authority in each region. Rates vary from location to location and are also based on the type of property.

Will I have to pay any additional taxes in Germany?

You are due to pay an **additional solidarity surcharge of 5.5%** on top of your income tax liability. If you are a registered Church member, you may also be liable to pay a church tax of 8 - 9% on your income tax liability.

I intend to sell my German property, what are my capital gains tax obligations?

If you make a gain when selling your German property, you are liable to pay German capital gains tax (CGT). **The German capital gains tax rate is the same as the German personal income rate.** Profits from the sale of private real estate that have been held for more than 10 years are exempt from German CGT.



What happens if I don't file my rental income tax return?

You must file your German income tax return by **31 July**, the year after the income was received. An extension to **28 February** applies where a [tax advisor](#) prepares the return on your behalf.

Failure to comply with the deadlines can result in fines and penalties.

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Have you received a letter from the German Tax Office - GTO? Contact us to help you with the submission of your tax returns

Don't wait to receive a tax notification letter, file your tax returns in Germany now.

Many non-resident landlords with properties in Germany are not aware that they have a filing obligation there, and think it's enough to file an annual tax return in their own country.

This could not be further from the truth.

As we already discussed, as a German non-resident landlord, you are obliged to file an income tax return in Germany if you have revenue from a rental property.

Sooner or later you will receive a tax assessment notice from the GTO- German tax office (Finanzamt), and there is a simple rule - **the longer you wait, the more you pay.**

The tax notice is also known as "Bescheid für 2020/2021.. über Einkommensteuer und Solidaritätszuschlag" (unofficially known as Steuerbescheid), and you will be obliged to file your tax returns for the previous years since the purchase of the real estate in Germany.

According to statistics, 1 out of every 5-7 tax assessment letters contains an error.





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That's why checking your tax assessment notice thoroughly could save you money. You have one month from the date you received your tax notification letter to make an appeal.

You can do this either by Elster (an online portal for filing tax returns) or by writing a letter to the tax office declaring you want to make an appeal.

We know that dealing with German tax documentation can be overwhelming, and this is where we can help.

PTI Returns's tax experts can help you file your German income tax return. Our team can apply all the applicable tax deductions, so you can avoid paying more tax in Germany than you should. Our tax specialists are always ready to help with appeals to the German tax office.

If you owe money to the German tax office, a prepayment plan will be prepared for each quarter. Our tax experts will make sure you are notified in advance about the payment deadlines so that you have peace of mind.

As German property tax advisors, we can file your tax return for 2020 until May 31, 2022. If you miss the German tax deadline you will be required to pay interest which will quickly become expensive.

Contact us to file on time and avoid penalties and additional charges.





Who can help me with my German Rental Income tax return?

Property Tax International will guide you through the entire tax filing process remotely online.

Our team has provided many people abroad with **German property tax assistance**. In fact, last year, we filed over 322,000 tax returns.

Our goal is to minimize your tax liability and maximize your profit potential.

Your dedicated real estate tax specialist will be your one point of contact throughout. They will **prepare your tax return** and communicate directly with the **German Tax Agency** when required.

Our team is specifically focused on tax compliance and on ensuring the property owner's tax obligations are all addressed both in Germany and at home.

**FILE YOUR GERMAN RENTAL TAX RETURN WITH
PTI RETURNS TODAY.**

[START ONLINE HERE](#)



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5 reasons why our clients prefer PTI Returns instead of local accountants:



Better value - we offer a more affordable service than your local accountant.



Peace of mind - **PTI Returns** is part of Clunetech. We have more than 25 years of experience in international tax, and we will keep you compliant with the German tax authorities. Our tax specialists will properly determine your residency status and apply every tax relief you're entitled to.



One-stop shop - need to file tax documents in more than one jurisdiction? You can do it all online with **PTI Returns**! This is one of the most unique things that sets us apart from most accounting services.



No language barrier - we speak our client's language and communicate with the local tax authorities on their behalf, ensuring their forms are filed correctly.



Local knowledge - we have offices all over the world. This enables us to have substantial local knowledge in every country and help you to maximize your investment profit potential.

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