

KEY FIGURES 2026

PERSONAL & ESTATE TAXATION

Note : The following is a summary of the applicable tax framework in Germany and is only intended for general informational purposes. Due to its condensed summary nature, it does not address all specific provisions, exemptions, or special rules that may apply under federal, state (Land), regional, or municipal law. A comprehensive assessment of the individual circumstances remains necessary.

1 | GIFTS & INHERANCE

Both gift tax and inheritance tax are regulated under the Erbschaftsteuer- und Schenkungsteuergesetz (ErbStG), the German Inheritance and Gift Tax Act.

When receiving assets through a gift or inheritance in Germany, one of the most important tax advantages is the so-called Freibetrag (tax-free allowance), which allows assets up to a certain value to be transferred without incurring gift or inheritance tax.

Tax-free allowance (applicable once every 10 years) (§ 16(1) ErbStG)	
Beneficiary	Tax-free allowance
Spouse or civil partner	€500,000.00
Child/step-children	€400,000.00
Grandchildren	€200,000.00
Parents	€100,000.00
All others	€20,000.00

*Tax-free allowance reduced if non-taxable assets and benefits received from the same person within the previous 10 years

**Additional benefits apply for special assets (residential real estate, corporate assets, etc.)

The allowances outlined above may be combined with further tax-free exemptions, subject to the beneficiary's individual circumstances.

Additional tax-free maintenance allowance (§ 17(1) and (2) ErbStG)

Spouse	€256,000.00
Children up to and including 5 years of age	€52,000.00
Children over 5 and up to and including 10 years of age	€41,000.00
Children over 10 and up to and including 15 years of age	€30,700.00
Children over 15 and up to and including 20 years of age	€20,500.00
Children over 20 and under 27 years of age	€10,300.00

* The additional maintenance allowance is reduced by the capitalized value of any tax-exempt survivor benefits to which the child is entitled and that are not subject to inheritance tax (§ 17(2), second sentence, ErbStG)

The above tax-free allowances apply if either the heir or donee, or the deceased or donor, is resident in Germany for tax purposes or otherwise has a sufficient nexus to Germany. In such cases, unlimited tax liability generally applies, meaning that the entire acquisition is subject to German inheritance and gift tax.

EXAMPLE : Gift on 1 March 2020: €300,000; further gift on 1 March 2025: €100,000. As of 2 March 2030, €300,000 of the tax-free allowance can be used again.

If the value of the assets acquired exceeds the applicable tax-free allowance, the taxable amount is determined based on the tax classes and rates set out in the tables below:

Tax classes (§ 15(1) ErbStG)

I	II	III
- Spouse - Children - Stepchildren - Grandchildren - Parents (if inheritance)	- Parents (if gift) - Siblings - Nieces or nephews - Step-parents - Children-in-law - Parents-in-law - Divorced spouses	- All others

TAX RATE - Depending on Tax Class			
Value of taxable assets acquired up to and including	I	II	III
€75,000.00	7%	15%	30%
€75,000.00	11%	20%	30%
€300,000.00	15%	25%	30%
€600,000.00	19%	30%	30%
€13,000,000.00	23%	35%	50%
€26,000,000.00	27%	40%	50%
> €26,000,000.00	30%	43%	50%

2| INCOME TAX

Another key piece of German tax legislation is the Einkommensteuergesetz (EStG), the German Income Tax Act, which governs the taxation of all types of income earned by individuals in Germany.

When moving to Germany and taking up employment, one of the first questions you are likely to be asked by your employer concerns your tax class (Steuerklasse). The applicable tax class depends on your personal circumstances and is shown in the table below.

Employee tax classes (§ 38b(1) EStG)	
I	- Single - Divorced - Widowed - Married * Provided they do not qualify for another tax class
II	Single parents with at least one qualifying child in their household (§ 24b EStG)
III	- Married employees whose spouse is assigned to Tax Class V - Widowed employees, during the calendar year following the year of their spouse's death* - Recently divorced employees, during the calendar year in which the marriage was dissolved* * Provided both spouses were subject to unlimited German income tax liability at the time of the spouse's death or the dissolution of the marriage and were not permanently separated at that time
IV	Married employees where both spouses are subject to unlimited German income tax liability and are not permanently separated
V	Married employees whose spouse is assigned to Tax Class III
VI	Employees with a second or additional employment relationship, for withholding on income from those employments

Regardless of the applicable tax class, there are several other important concepts worth highlighting. German personal income tax law places significant emphasis on an individual's personal circumstances, such as disabilities or family obligations. Depending on these circumstances, taxpayers may be entitled to various deductions, allowances, or other forms of tax relief.

One example is the concept of 'reasonable burdens' (zumutbare Belastungen), illustrated in the table below. These amounts do not constitute tax reductions or allowances in themselves. Rather, they represent the portion of certain expenses that the taxpayer is legally expected to bear before any tax relief becomes available.

Reasonable burden of extraordinary expenses (§ 33(3) EstG)				
Total income amount (€)		Up to €15,340	Over €15,340 and up to €51,130	Over €51,130
TAX PAYER CLASSES	I	5%	6%	7%
	III and IV 'income splitting' method applied	4%	5%	6%
	One or two children	2%	3%	4%
	Three or more children	1%	1%	2%

* The percentages represent the taxpayer's 'REASONABLE BURDEN' i.e. the proportion of qualifying extraordinary expenses that the taxpayer must bear before any tax relief is available, based on their personal circumstances.

Travel expense allowance for persons with disabilities (§ 33(2a) EStG)	
= degree of disability 80	€900 (fixed amount)
= degree of disability >70 + disability classification 'G'	€900 (fixed amount)
Classification 'aG'	€4,500 (fixed amount)
Classification 'BI'	€4,500 (fixed amount)
Classification 'TBI'	€4,500 (fixed amount)
Classification 'H'	€4,500 (fixed amount)

* The allowance applies to total annual income.

Last but not least, the table below shows the tax calculation formulas applicable to different levels of taxable income, which are updated annually:

Income tax schedule (§ 32a EStG)	
Taxable income band	Tax calculation formula
Up to €12,348 (Grundfreibetrag)	0 (exempt)
Over €12,348 and up to €17,799	$(914.51 \cdot y + 1,400) \cdot y$
Over €17,800 and up to €69,878	$(173.10 \cdot z + 2,397) \cdot z + 1,034.87$
Over €69,879 and up to €277,825	$0.42 \cdot x - 11,135.63$
Over €277,826	$0.45 \cdot x - 19,470.38$

- **Variable 'y'** = one ten-thousandth of the portion of taxable income exceeding the basic tax-free allowance, rounded down to the nearest euro.
- **Variable 'z'** = one ten-thousandth of the portion of taxable income exceeding €17,799, rounded down to the nearest euro.
- **Variable 'x'** = taxable income, rounded down to the nearest euro.

The resulting tax amount is rounded down to the nearest euro.

SPLITTING METHOD: For spouses who are assessed jointly for income tax, the tax is calculated by applying the income tax rate to half of their combined taxable income and then doubling the resulting amount.

In addition, a solidarity surcharge and church tax may apply in certain cases.

At this point, it should be noted that investment income and capital gains are generally subject to a flat tax rate of 25%, with an annual tax-free allowance of €1,000 (§ 43 EStG). Although it forms part of the German Income Tax Act, this withholding tax on investment income is commonly referred to as Kapitalertragsteuer (capital gains tax).

3 | TRANSFER OF REAL ESTATE

Gains from the disposal of real estate and other assets are also taxable under the Einkommensteuergesetz (EStG), which contains several specific provisions governing this type of income. The most important of these include the so-called **speculation or holding period** (Spekulationsfrist) and the **three-property rule** (Drei-Objekt-Grenze).

Speculation period for real estate transfers (§ 23(1.1) EStG)

Personal use	
Within 3 years of acquisition	Taxable based on capital gain
After 3 years	Tax-exempt

Rental use	
Within 10 years of acquisition	Taxable based on capital gain
After 10 years	Tax-exempt

Speculation period for other asset transfers (§ 23(1.2) EStG)

Within 1 year of acquisition	Taxable based on capital gain
After 1 year	Tax-exempt

* **Three-property rule:** When an individual sells three or more real estate properties within a five-year period, the activity may be classified as commercial real estate trading under § 15 of the Einkommensteuergesetz (EStG). In such cases, the gains are treated as business income and may also be subject to trade tax (Gewerbsteuer).

Real estate transfer tax (Grunderwerbsteuer, GrESt) : Real estate transfer tax is levied on the acquisition of real estate in Germany. It becomes payable upon the transfer of ownership of immovable property. The tax rate varies by federal state (Bundesland) and generally ranges from 3.5% to 6.5% of the purchase price or taxable base.

NOTE: German taxation of real estate gains is highly complex . The previous rules apply to gains derived by individuals in a private context. Where any commercial activity is identified, the gains may be classified as business income (Gewinne aus betrieblichem Vermögen) and subject to different rules and taxes. Business income is always subject to taxation under the applicable income tax regime and requires an individual assessment for tax purposes. Its treatment depends on the specific facts and circumstances and cannot be summarised in general terms.

4 | CORPORATION TAX

German corporations are currently subject to three taxes:

- 15% corporate income tax (Körperschaftsteuer),
- An additional 5.5% solidarity surcharge (Solidarit t zuschlag) on corporate income tax,
- Municipal trade tax (Gewerbesteuer).

In total, this results in an overall tax burden of nearly 30%.

NOTE: This applies only to corporations. Sole proprietorships (Einzelunternehmen), limited partnerships (Kommanditgesellschaften, KG), and general partnerships (Offene Handelsgesellschaften, OHG) are subject to personal income tax and trade tax. Depending on the municipal multiplier rate, trade tax is largely creditable against income tax, although not fully in all cases.



 **FRANCE**
www.lexunion.com/groupe-althemis
www.lexunion.com/France

 **SWITZERLAND**
www.lexunion.com/swisnot

 **ITALY**
www.lexunion.com/insignum

 **SPAIN**
www.lexunion.com/lexunion-espana

 **BELGIUM**
www.lexunion.com/Belgium

 **THE NETHERLANDS**
www.lexunion.com/Netherlands

 **UNITED KINGDOM**
www.lexunion.com/United-Kingdom

 **GERMANY**
www.lexunion.com/Germany

 **PORTUGAL**
www.lexunion.com/Portugal

 **DENMARK**
www.lexunion.com/Denmark