Tax Deductions

Loss Carry-Back and Loss Carry-Forward

Losses for corporate income tax purposes can be carried back for one year, limited to a total loss amount of EUR one million.

Losses can be carried forward with no time restriction. Up to an amount of EUR one million loss carry-forward is possible – free from any restrictions. For sums in excess of EUR one million, at least 40 percent of the taxable income must remain subject to taxation. In other words, a maximum 60 percent of taxable earnings exceeding EUR one million can be offset against incurred losses.

Deductibility of Interest Payments

Generally, interest payments are fully deductible as operating expenditure. However, some special rules apply for corporate groups. If the amount of interest payments exceeds the amount of interest earnings for more than EUR 3 million, these exceeding interest payments are only deductible up to an amount of 30% of the EBITDA (earnings before interest, taxes, depreciation and amortization).

Straight Line Depreciation

Straight line depreciation for assets is a deductible expense for tax purposes. The annual depreciation is calculated by dividing the purchase price by the estimated useful life of the asset.

All depreciations have to apply the straight line method.

Fiscal Unity Concept

The German fiscal unity concept allows for profit and loss pooling of different corporations at the level of a dominant (parent) company to determine the overall profit for taxation purposes. To do so, the dominant company must have its place of business management in Germany and must be subject to taxation in Germany. It can either be a German company or a permanent establishment of a foreign (dominant) company in Germany.

The fiscal unity concept covers corporate subsidiaries from Germany or other EU/EEA member states, if they have their place of business management in Germany. The dominant company in Germany must hold more than 50 percent of the voting rights of the subsidiary/ies. In addition, a profit and loss pooling agreement must exist with a duration of at least five years. The agreement has to be registered with the commercial register. Further requirements may apply.

Contact Us

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Submit your question

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