# European Tax Newsalert

A Washington National Tax Services (WNTS) Publication

**Germany**

**June 5, 2012**

## *Will Germany revive its net wealth tax?*

## *Background*

A German task force might soon recommend that Germany reintroduce a new wealth tax. This could impact both German and non-German residents, including US individuals and multinational companies holding German assets and investments. The German net wealth tax was last levied for 1996, and was discontinued after the Federal Constitutional Court held that it breached German constitutional law. That decision was based mainly on the differences in taxation between real estate and other assets. Taxpayers may wish to consider the following aspects of a potential net wealth tax.

## *Potential considerations*

- **Tax rate** – A 1% effective tax rate would apply to the net assets held by individuals and/or corporations. This measure is expected to generate approximately Euro 11.5 billion in additional annual tax revenues.

- **Tax base -** Taxpayers would calculate the tax base by referring to the assets' fair market values. The valuation rules in the German Inheritance Tax Act and Valuation Tax Act would likely be used to determine values. Notably, this would require annual valuations of businesses, groups, investments and other assets, thereby creating extra burdens for both taxpayers and the tax administration.

- **Exempt amounts/thresholds -** Individuals may receive a Euro 2 million exemption (plus an additional Euro 2 million for spouses). However the de minimis threshold for corporations may remain at Euro 200,000. In other words, if the threshold is exceeded, it would provide no benefit to corporations. Individuals holding corporate shares would bear 50% of the net wealth tax; the corporation would bear the other 50%.

- **Likelihood/timeline -**The task force's results have not been published officially. A reintroduction of the net wealth tax would require a majority of votes in the German Federal Parliament and the German Federal Council. However in both houses the states supporting the net wealth tax currently do not have a majority. Accordingly, short term adoption of a respective bill is unlikely. Nevertheless, the net wealth tax may play a role during the upcoming fall 2013 federal election campaigns.

## *Conclusion*

The reintroduction of a net wealth tax would impact German resident and non-resident taxpayers. However, its adoption appears unlikely prior to the fall 2013 elections. We will monitor further developments and send additional Newsalerts as warranted.

*For more information, please contact:*

*Your international tax service team in the United States*


| | | |
|---|---|---|
| *Kais Mouldi* | *+1 646 471 8811* | *k.mouldi@us.pwc.com* |
| *Bjorn Viebrock* | *+1 646 471 7858* | *bjorn.viebrock@us.pwc.com* |
| *Jan-Philip Gehlhaar* | *+1 646 471 6532* | *jan-philip.x.gehlhaar@us.pwc.com* |
| *Thomas Loose* | *+1 646 471 0483* | *thomas.x.loose@us.pwc.com* |


*Your international tax service team in Germany*


| | | |
|---|---|---|
| *Stefan Brunsbach* | *+49 69 9585 6319* | *stefan.brunsbach@de.pwc.com* |
| *Andreas Kempf* | *+ 49 201 438 1970* | *andreas.kempf@de.pwc.com* |
| *Horst Raettig* | *+ 49 30 2636 5301* | *horst.raettig@de.pwc.com* |
| *Christoph Schreiber* | *+ 49 89 5790 5303* | *christoph.schreiber@de.pwc.com* |
| *Volker Stein* | *+ 49 211 981 7357* | *volker.stein@de.pwc.com* |