



Sachstand

Income Tax Law: Tax-free allowances for children and the assessment of spouses

ECPRD-Request [REDACTED]

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1. Question 3: Is there a Child Tax Credit of any kind in your country? If yes, describe the rules of this child tax credit.

Child benefit (Kindergeld) is paid for the purpose of exempting parental income from tax for the amount that represents the subsistence level for a child. German citizens can in principle receive child benefit in accordance with the Income Tax Act (Einkommensteuergesetz) if their place of residence or the place where they usually live is located in Germany. Child benefit is paid for children if their place of residence or the place where they usually lives is located in Germany. It is paid for all children until the age of 18. It may continue to be paid over the age of 18 only if the following additional requirements are met:

- Until his/her 25th birthday as long as he/she is undertaking training for an occupation,
- until his/her 21st birthday if he/she is not in employment and is registered as a jobseeker with an Employment Agency in Germany,
- until his/her 25th birthday if he/she wishes to start vocational training (either in Germany or abroad) but because there is no place on a training programme he/she cannot start or continue the programme,
- until his/her 25th birthday if he/she carries out a voluntary social year or voluntary ecological year as defined in the Youth Volunteer Service Act.
- Child benefit is also paid for a child over the age of 18 if he/she is not in a position to support himself/herself due to a physical, mental or psychological disability. It continues to be paid beyond the age-related threshold.

Child benefit is paid monthly in the following amounts:

- €190 for each of the first two children,
- €196 for the third child,
- €221 for the fourth and each additional child.¹

Child benefit is paid regardless of the parents' income, and it is paid throughout the year. Under a system of income tax relief for families, child benefit takes the form of a tax refund. When assessing income tax, the tax office checks that the amount of child benefit paid satisfies the constitutional rule on tax relief mentioned above.

If the child benefit payments do not reach the untaxable subsistence level for a child, a tax-free allowance for children (€2.304 a year for single parents, €4.608 for jointly assessed parents) and a tax-free allowance for child-care, child-raising and vocational training (€1.320 a

¹ Familienkasse: Child Benefit leaflet, July 2015, available at: <https://www.arbeitsagentur.de/web/content/EN/Benefits/ChildBenefit/Detail/index.htm?dfContentId=L6019022DSTBA1494675>, 1. März 2016.

year for single parents, €2.640 for jointly assessed parents) are deducted from the parents' taxable income. In this case the amount of child benefit due is offset against the tax liability.

If the child benefit payments reach the untaxable subsistence level for a child, no tax-free allowances for children are granted. In this case the child benefits are left as they stand as a form of family support.²

2. Question 4: Is there a joint taxation of spouses or of the household in your country? If yes, do spouses (or the household) have the option of being assessed separately?

In Germany there is no joint taxation of the household. Married couples may elect to be assessed either jointly or separately, provided husband and wife are both subject to unlimited tax liability and are not permanently separated; these conditions must be satisfied either at the start of or at some point during the calendar year.

If married couples elect to be assessed separately, each spouse is assessed on his or her income.

In the case of joint assessment, the net incomes accruing to each spouse are aggregated and the couple treated to all intents and purposes as a single taxpayer. Income tax is then determined using the income splitting method, with tax being computed according to the income tax scale on half of the joint income, and the result being doubled ("Ehegattensplitting").³

2 Federal Ministry of Labour and Social Affairs: Social Security at a glance 2015, available at: http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/a998-social-security-at-a-glance-total-summary.pdf?__blob=publicationFile, 3. März 2016.

3 Ministry of Finance: An ABC of Taxes 2013 Edition, available at: https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Press_Room/Publications/Brochures/2012-10-30-abc-on-taxes-pdf.pdf?__blob=publicationFile&v=12, 3. März 2016.