

Table of contents

Preface	5
List of abbreviations.....	11
1 Introduction to German profit tax law	13
1.1 The importance of taxes.....	13
1.2 Tax burden and tax justice	13
1.3 The three tax disciplines.....	15
1.4 The tax system	16
1.4.1 Earnings of the state	16
1.4.1.1 Taxes	17
1.4.1.2 Fees.....	18
1.4.1.3 Contributions.....	18
1.4.1.4 Special levies.....	19
1.4.2 Classification of the tax types	19
1.4.3 Taxation terminology	21
1.4.3.1 Taxpayer and/or taxable subject.....	21
1.4.3.2 Subject of taxation and/or taxable object	21
1.4.3.3 Tax base	21
1.4.3.4 Tax threshold, tax allowance, deductible amount	21
1.4.3.5 Tax rate and tax scale	22
1.4.4 Tax sovereignty.....	24
2 Personal income tax.....	27
2.1 Basic principles of personal income tax	27
2.1.1 Characterization, importance and principles of personal income tax	27
2.1.1.1 Legal basis	27
2.1.1.2 Characteristics and demarcation of the personal income tax	28
2.1.1.3 Fiscal and economic importance.....	29
2.1.1.4 Principles of income taxation	29
2.1.1.5 The two forms of income tax assessment	31
2.1.2 Personal and impersonal liability for personal income tax.....	33
2.1.3 Personal liability for personal income tax.....	33

8 Table of contents

2.1.3.2	Types of limited tax liability	39
2.1.3.3	Problem of double taxation	41
2.1.4	Impersonal liability for personal income tax	41
2.1.4.1	The types of income	41
2.1.4.2	Determination of the personal income tax	48
2.1.4.3	Classification of earnings and expenses	49
2.1.5	Temporal assignment	54
2.1.5.1	Assessment period and determination period	54
2.1.5.2	Fiscal year	55
2.2	Determination of taxable income	58
2.2.1	Determination of income	58
2.2.1.1	Overview of the methods of determining income	58
2.2.1.2	Determination of profit	59
2.2.1.3	Determination of surplus income	67
2.2.2	Seven types of income	69
2.2.2.1	The profit income types	70
2.2.2.2	The surplus income types	89
2.2.2.3	Compensation and income from previous employment (Sec. 24 EStG)	119
2.2.3	Determination of the total amount of income	121
2.2.3.1	Elderly allowance (Altersentlastungsbetrag)	121
2.2.3.2	Tax allowance for single parents	124
2.2.3.3	Deduction for farmers and foresters	124
2.2.4	Fiscal treatment of losses	127
2.2.4.1	Loss compensation	127
2.2.4.2	Loss deduction	128
2.2.5	Special expenses	133
2.2.5.1	Concept of special expenses	133
2.2.5.2	Unlimited deductible special expenses	134
2.2.5.3	Limited deductible special expenses	138
2.2.6	Extraordinary expenses	157
2.2.6.1	Concept of extraordinary expenses	157
2.2.6.2	Extraordinary expenses in general cases	159
2.2.6.3	Extraordinary expenses in standardized cases	160
2.2.7	Family benefit compensation	164
2.2.8	Assessment basis and scale	169

2.2.8.1	The taxable income	169
2.2.8.2	Scaled income tax	169
2.2.8.3	Special rates according to Secs. 34 and 34a EStG	171
2.2.8.4	Determination of the personal income tax to be assessed	184
2.2.8.5	Determination of the final payment and/or the refund entitlement	188
2.3	Partnerships	195
2.3.1	Co-partner income	196
2.3.2	Other partners of a partnership	205
3	Corporate income tax	209
3.1	Basic principles	209
3.1.1	Characteristic features	211
3.1.2	Personal tax liability	213
3.1.2.1	Unlimited tax liability	213
3.1.2.2	Limited tax liability	215
3.1.3	Tax exemption	215
3.2	Tax assessment basis	215
3.2.1	Determination of taxable income	215
3.2.2	Adaptations of the commercial balance sheet to the tax balance sheet	217
3.2.3	Additions and deductions to determine the taxable income outside of the balance sheet	218
3.2.3.1	Hidden profit distributions	219
3.2.3.2	Hidden equity contributions	228
3.2.3.3	Tax-exempt income from investments in accordance with Sec. 8b (1) KStG	233
3.2.3.4	Non-deductible expenditures in accordance with Sec. 10 KStG	235
3.2.3.5	Non-deductible expenditures in accordance with Secs. 4 (5), (5b), 4h, 4j EStG, Secs. 8a, 8b (3) and (5) KStG	236
3.2.3.6	Donations	246
3.2.4	From the total amount of income to the remaining corporate income tax payment/refund	248
4	Trade tax	255
4.1	Basic principles	255
4.1.1	Characterization of trade tax	255
4.1.2	Subject of taxation	256

10 Table of contents

4.1.3	Personal tax liability	260
4.2	Business profit.....	260
4.2.1	Additions under Sec. 8 GewStG.....	262
4.2.2	Deductions under Sec. 9 GewStG.....	269
4.2.3	Loss carryforward	276
4.2.4	Tax allowance, federal tax rate, municipal rate and advance pay- ments	277
4.3	Breakdown	280
4.4	Lump-sum crediting of trade tax.....	281
4.5	Final question on trade tax.....	282
5	Legal neutrality of taxation	285
5.1	Principle of legal neutrality of taxation	285
5.2	Approaches for the implementation of legal form neutral taxation in Germany	287
6	Final comprehensive case.....	293
6.1	Information regarding corporate income tax.....	293
6.2	Information regarding personal income tax.....	294
6.3	Solution notes.....	294
6.4	Solution.....	296
6.4.1	Determination of the taxable income/provision for trade tax/ provision for corporate income tax	296
6.4.2	Calculation of the tax liability for 2018.....	297
6.4.2.1	Application of the flat-rate withholding tax within the mean- ing of Sec. 32d EStG	298
6.4.2.2	Application of the partial-income method within the meaning of Sec. 3 no. 40 lit. d EStG.....	301
	List of figures.....	305
	List of tables.....	308
	Translations	309
	English – German	309
	German – English	315
	Index.....	321