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Taxes

Direct Taxes

Taxes on Income and Profit

Table of Income Tax (extract)

The following list has been copied from official documents, effective as from 1st January 2002.

Taxable income	Single Tax payers		Married Tax payers	
	Tax pay-able	= Tax rate	Tax pay-able	= Tax rate
10,000	611	6.110		
20,000	3,235	16.175	1,222	6.110
30,000	6,418	21.393	3,706	12.353
40,000	10,158	25.395	6,470	16.175
50,000	14,440	28.880	9,514	19.028
60,000	19,225	32.041	12,836	21.393
70,000	24,078	34.397	16,436	23.480
80,000	28,932	36.165	20,316	25.395
90,000	33,786	37.540	24,476	27.195
100,000	38,623	38.623	28,880	28.880
110,000	43,477	39.524	33,596	30.541
120,000	48,330	40.275	38,450	32.041
130,000	53,184	40.910	43,304	33.310

(copied from Federal Tax Gazette 2001 part I, p. 535 ff., 635 ff.)

The list shows very clearly:

   a) the effect of the sliding tax rate which increases sharply for lower incomes up to ca. 40 k€, after which the increase is slowly reduced;

   a) the function of the "split tax rate" for married taxpayers: the income tax is twice the amount which is assessed on half of the taxable income for single tax payers. 20,316 € income tax for married tax payers on 80,000 € income is twofold 10,158 € income tax for singles in 40,000 € income.

   b) the maximum tax rate of 48,5% will never be reached; for practical purposes, one even uses the rate of 50%.

The correct calculation of income tax is as follows:

Fiscal year **2002**:

The income tax amounts to, for the indicated amount of taxable income:

   1) up to 7.235 Euro: 0;

2) from 7.236 Euro up to 9.251 Euro: (768,85y + 1.990)y;

3) from 9.252 Euro up to 55.007 Euro: (278,65z + 2.300)z + 432;

4) from 55.008 Euro and higher: 0,485x - 9.872.

whereas:

a) „y" is one / 10.000th of the taxable income in excess of 7.200 Euro, after rounding (i.e.: [taxable income – 7.200] * 0,0001)

b) "z" is one / 10.000th of the taxable income in excess of 9.216 Euro, after rounding (i.e.: [taxable income – 9.216] * 0,0001)

c) "x" is the taxable income.

In all cases, the term taxable income is understood as such lower amount that can be devided by 36 without rest, unless the amount itself cannot be devided by 36 without rest, plus 18. Example:

Taxable income	Rounding?	Base for calculation
36.019 / 36 =	1000,52777 > to be rounded to: 36,000.00	36.018
36.000 / 36 =	1000,00 > no rounding allowed: 36,000.00	36.018

In the case of *married tax payers*, the above calculation is applied to half of the taxable income, after which the resulting amount of income tax is multiplied by two.

Fiscal year 2003:

As in fiscal year 2002, however, from now on there will be no rounding down, anymore.

Fiscal year **2004**

The income tax amounts to, for the indicated amount of taxable income:

1) 1. up to 7.426 Euro (Grundfreibetrag): 0;

2) 2. from 7.427 Euro up to 12.755 Euro: (747,80y + 1.700)y;

3) 3. from 12.756 Euro up to 52.292 Euro:(278,59z + 2.497)z + 1.118;

4) 4. from 55.008 Euro and higher: 0,47x - 9.232.

whereas:

a) „y" is one / 10.000th of the taxable income in excess of 7.426 Euro, after rounding down to a full Euro amount (i.e.: [taxable income – 7.426] * 0,0001)

b) "z" is one / 10.000th of the taxable income in excess of 12.755 Euro, after rounding down to a full Euro amount (i.e.: [taxable income – 12.755] * 0,0001)

c) "x" is the taxable income, rounded down to a full Euro amount.

(No rounding permitted!)

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From fiscal years **2005 onwards**

The income tax amounts to, for the indicated amount of taxable income:

1) up to 7.664 Euro (Grundfreibetrag): 0;
2) from 7.665 Euro up to 12.739 Euro: (883,74y + 1.500)y;
3) from 12.740 Euro up to 52.151 Euro: (228,74z + 2.397)z + 989;
4) from 52.152 Euro and higher: 0,42x – 7.914.

whereas:

a) „y" is one / 10.000th of the taxable income in excess of 7.664 Euro, after rounding down to a full Euro amount (i.e.: [taxable income – 7.664] * 0,0001)
b) "z" is one / 10.000th of the taxable income in excess of 12.739 Euro, after rounding down to a full Euro amount (i.e.: [taxable income – 12.739] * 0,0001)
c) "x" is the taxable income, rounded down to a full Euro amount.

(No rounding permitted!)

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