Downloaded from Blogs on 17.11.2026 05:54h

By PwC Deutschland | 05. Januar 2011

# Withholding tax on investment income

**The finance ministry has issued a decree on a number of technical points in connection with the obligation of banks to withhold tax from the investment income of private individuals.**

Downloaded from Blogs on 17.11.2026 05:54h

Private persons resident in Germany are taxed on their investment income at a flat rate of 25 per cent. If the income is paid out in Germany, the tax is deducted at source by the body making the payment. Usually, this will be the company in which the investor is a significant shareholder or lender, or the bank managing his depot of portfolio securities. The finance ministry has revised its decree giving guidance on a number of points of practical difficulty, including especially cases where the payer assumes the burden of the tax. This is not infrequent for hidden distributions of profits that do not come to light until the next tax audit. A decision by the company to bear the tax automatically applies to solidarity levy and - on application by the investor - to church tax.

The decree also clarifies that the income from full risk certificates is taxable when paid unless payout follows a previously defined plan. In that case, the tax obligation follows the plan. Freezing the security on an excessive loss in value is not to be regarded as a disposal leading to a capital gain or loss. On the other hand, payments by the bank in compensation for bad advice are to be treated as investment income, at least where they are directly related to specific transactions. (AM)

**Schlagwörter**

full risk certificates, hidden distributions, investment income, withholding tax