

By PwC Deutschland | 28. September 2011

Second rental cost on move to new job deductible as business expense

The Supreme Tax Court has held that an employee moving to take up a new job may deduct the additional rental cost incurred in maintaining two homes for a temporary period as a business expense.

A married couple were both employed. The husband took up a new job in another town, where he rented a flat suitable for the family. His wife and child joined him in the new home some two and a half months later. He claimed a full deduction of the rent cost of the new flat until the end of the month of the wife's move. The tax office sought to reduce the deduction to the rent for the first 60 m² of the second flat, claiming that the tax relief should be governed by the rules on double-households maintained for business reasons.

The Supreme Tax Court has now held that the double-household relief rules are irrelevant to the present case. The family had moved to a new town because of the husband's new job. Additional rental costs necessarily incurred were expenses of earning employment income and deductible in full. The deduction was to be for the cost of the new flat until the wife and child moved in and for that of the old one thereafter. The total was, however, to be limited to the contractual notice period to quit the old flat. The court also made the point that the statutory provisions on moving costs for civil servants were not directly relevant to the present case of deduction of a business, as opposed to a personal, expense.

Supreme Tax Court judgment VI R 2/11 of July 13, 2011 published on September 28

Schlagwörter

business expense, double-household, new job, rent cost