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By PwC Deutschland | 27. Januar 2026

Income from crypto lending of bitcoins subject to progressive individual tax rate

Recent developments in Germany have highlighted that income from crypto lending is taxed at the personal income tax rate as Bitcoin is not considered a legal tender for the purpose of capital gains taxation. The Cologne Tax Court confirmed this development and held that income from the transfer of the cryptocurrency Bitcoin in return for payment (known as crypto lending) is not subject to the 25% flat rate tax but taxable at the regular progressive scale rate.

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According to Section 22 No. 3 Sentence 1 Income Tax Act (ITA), other income is income from benefits, provided that it does not belong to income from other income categories mentioned in Section 2 (1) Sentence 1 Nos. 1 to 6 ITA (e. g. Agriculture and forestry, trade or business, Independent professions, employment, capital investment or rents) or to income from occasional brokerage services and from the rental of movable property. income from the following categories

The plaintiff maintains that the flat rate tax was applicable in his case because the temporary transfer of Bitcoin crypto assets fulfills the criteria of Section 20 (1) no. 7 ITA and takes precedence over Section 22 ITA. The Cologne Tax Court dismissed his claim.

In the case of crypto lending no capital claim based on the payment of money is granted. Although crypto assets are increasingly accepted as a means of payment, the key point is that crypto assets do not constitute legal tender. According to the findings of the court, creditors in Germany and abroad were not (yet) required to accept crypto assets in the form of bitcoins as a generally accepted means of payment, at least in 2020 (year in dispute). The court is of the opinion that the mere similarity to legal tender does not warrant a general extension of the concept of capital claims to cryptocurrencies.

A word of caution: it should be noted that, apart from the above scenario, Cryptocurrencies are subject to tax as a private disposal under Section 23 of the German Income Tax Act if not held for more than one year (see our **blog post of 8 March 2023**).

It will be interesting to see how the Supreme Tax Court decides on this matter in the appeal proceedings (pending under file no. VIII R 23/25).

Source:

Cologne Tax Court, decision of 10 September 2025 (3 K 194/23); press release of 26 January 2026.

Schlagwörter

bitcoin, crypto transfer