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By PwC Deutschland | 17. Mai 2026

Record-keeping requirements on home office expenses for self-employed taxpayers

In a recent decision concerning the deductibility of expenses for a home office used by a self-employed taxpayer, the Supreme Tax Court clarified the requirements for keeping records of such expenses in terms of content and time. These requirements must be met. Failure to comply generally results in the non-deductibility of the expenses.

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Background

The plaintiff, who earned income from self-employment and computed his taxable income on a „cash basis“ (surplus income”-method), lived in a privately owned home comprising of a basement, a ground floor, an upper floor, and a converted attic. He carried out his self-employed work in the attic which had been set up as home office. He also used a library located on the ground floor. In his income tax return for the year in dispute, the plaintiff reported, among other things, a loss from freelance work. This was based on depreciation of real property and expenses incurred for the home office.

The tax office reduced the depreciation amounts and other business expenses related to the home office. The plaintiff objected to this. The tax office subsequently granted a somewhat higher deduction of the home office expenses. In his appeal, the plaintiff continued to request a business expense deduction in the full amount as claimed by him.

The lower tax court dismissed the appeal on the grounds that the expenses for the home office were already inadmissible as a matter of principle because the plaintiff had not fulfilled his record-keeping obligations. The tax court further explained that the plaintiff stated during the oral hearing that he had collected the receipts for the expenses related to the home office over the course of the year and put them together for preparation of his tax return and presented them during the court proceedings. This does not satisfy the requirements laid down in Section 4 (7) Income Tax Act (ITA): Such expenses must be recorded separately from other operating expenses.

Decision

The Supreme Tax Court upheld the decision of the lower tax court. The deduction of costs for the plaintiff's home office as business expenses from his self-employment is precluded under Section 4 (7) Sentence 2 ITA due to a violation of the record-keeping requirements set forth in Section 4 (7) Sentence 1 ITA.

Expenses related to a home office must be recorded individually and separately from other business expenses. Compliance with this requirement is a prerequisite for claiming deduction as business expenses. All expenses for the home office and its furnishings must be recorded individually and in a timely manner in a separate column of the expense records or at least combined in a separate written or digital document. A mere collection of receipts is not sufficient. This is the only way the accurate allocation of such expenses and the easy verification of their deductibility is ensured.

In the case in dispute, no such record exists. The plaintiff collected the underlying receipts for the year in question and only prepared a list of all building costs when filing his tax return. Furthermore, the reporting of expenses for the home office using the “surplus income”-method does not satisfy the statutory requirements for individual documentation.

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The schedule submitted provided only for the separate reporting of depreciation amounts and, otherwise, for the reporting of expenses for the home office in total.

Source:

Supreme Tax Court, judgment of 24 March 2026 (VIII R 6/24) published on 15 May 2026.

Schlagwörter

Home office costs, record retention