

By PwC Deutschland | 09.01.2011

# Home office costs deductible if centre of professional activity

**The finance ministry has issued a decree on the implementation procedures for a retrospective change in the law increasing the scope for deducting home office costs.**

As the Income Tax Act for 2010 stood, the costs of maintaining a home office were only deductible up to a maximum of €1,250 p.a. and only then if the taxpayer had no other place in which to work. However, the Constitutional Court held in July that these conditions were unduly harsh on taxpayers whose entire business and professional activity was centred on their home office. The court called on the legislative for a retroactive change in the law as of January 1, 2007, the effective date for the tightening of the previous rule. This has now been done in an article in the Annual Tax Act 2010 of December 8, 2010 and the ministry of finance has issued a decree instructing tax offices to declare provisional assessments reflecting the new law to be now final in this respect. However, this declaration is only necessary if the taxpayer requests it, or a new assessment is issued for other reasons. Assessments for 2007-2009 that are still to be issued are to reflect the new law if the taxpayer has already supplied the details. If he has not, he is to be informed on the assessment notice of the change, with a request to report any expenses of maintaining a home office as the centre of his business and professional activity within the appeal period (30 days for final assessments). The tax office will then amend the assessment or otherwise act as appropriate. (AM)

## **Keywords**

Home office costs, deduction, retroactive change