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By PwC Deutschland | 07 June 2022

Federal Ministry of Finance: Effects of the so-called 9-Euro-Ticket on the salary withholding tax treatment of employee benefits

On 31 May 2022, the German Federal Ministry of Finance (MoF) published a circular on the salary withholding tax treatment of supplementary payments by employers to employees' expenses for local public transport during the period in which the so-called 9-Euro-Ticket is available.

The circular provides practical guidance on the application of the tax exemption of Section 3 Number 15 of the German Income Tax Act (ITA) vis-à-vis the 9-Euro ticket

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According to the circular, the following principles should apply:

Tax exemption under Section 3 Number 15 of the Income Tax Act (ITA).

Supplementary payments, which employers make to their employees for their expenses for public transportation tickets and which are made in addition to any contractual salary, are tax exempt under Section 3 Number 15 ITA up to the amount of the employee's expenses

For the months of June, July and August 2022, no objections will be made - for simplification purposes - if, when applying Section 3 No. 15 ITA, the employer's supplements exceed the employee's expenses (i.e. the EUR 9) for public transportation tickets in the calendar month, provided that overall the supplementary payments do not exceed the expenses over the whole calendar year 2022 (annual consideration).

If, in relation to the calendar year 2022, the total amount of the supplements paid is higher than the employee's expenses, the difference must be treated as taxable income.

Employer's certification pursuant to Section 41b (1) Sentence 2 No. 6 ITA

The tax-exempt (under Section 3 No. 15 ITA) transport supplements received from the employer reduce the amount deductible as a lump-sum travel allowance under Section 9 (1) Sentence 3 No. 4 Sentence 2 ITA and must be certified by the employer (Section 41b (1) sentence 2 No. 6 ITA). The total tax-exempt amount for the calendar year pursuant to Section 3 No. 15 ITA must be certified.

Source

MoF, circular dated 30 May 2022, (IV C 5 - S 2351/19/10002 :007).

Keywords

Income Tax Act, Personal expense deduction, income tax exemption