Downloaded from Blogs on 03.11.2026 00:28

By PwC Deutschland | 03 November 2022

Remuneration paid by employer for licence plate advertising is income on employment

In its judgement of 21 June 2022, published on 3 November 2022, the Supreme Tax Court decided that remuneration paid by an employer to its employees for advertising by the employer on the licence plate mounting frame of the employee's private car is remuneration for work if the "advertising rental agreement" concluded does not have an independent economic content.

Downloaded from Blogs on 03.11.2026 00:28

Not every payment made by an employer to its employees constitutes income from employment. Rather, an employer may conclude other independent contracts with his employee in addition to the employment contract. However, if a separately concluded contract does not have an independent economic content, it may to such extent be considered a salary payment.

In the case in question, the employer had concluded "advertising rental agreements" with some of his employees. According to these contracts, the employees undertook to attach to their private cars mounting frames for their licence plates bearing adverts for the employer. In return, they received € 255 per year. The employer considered the "advertising fee" as other income according to Section 22 No. 3 of the Income Tax Act (ITA) and therefore did not withhold salary withholding tax. This was also advantageous for the employees, as such income is tax-free below an amount of 256 €. The tax office, on the other hand, considered the payment as income from employments and held the employer liable for the salary withholding tax not withheld and paid.

The Supreme Tax Court confirmed the treatment of the tax office and the subsequent decision of the tax court. The "advertising contracts", which were linked to the terms of the employment contracts, did not have their own economic content. It was evident that when calculating the "advertising fee" of € 255 per year, the advertising "effect" achievable had not played a role - as is usual in commercial business transactions - but rather the tax free amount under Section 22 No. 3 ITA had been decisive.

Source:

Supreme Tax Court judgment of 21 June 2022 (VI R 20/20) published on 03 November 2022

Keywords

employment income, other income, salary withholding tax