

By PwC Deutschland | 11 November 2022

Bundestag passes Inflation Compensation Act

On 10 November 2022, the Bundestag passed the bill introduced by the ruling Coalition "to compensate for inflation through a fair income tax rate and to adjust other tax regulations" (Inflation Compensation Act.)

The coalition parties want to reduce the burden of inflation through various tax measures such as raising the basic tax-free allowance and the child tax-free allowance as well as through a higher child benefit.

The Bundestag has passed the bill in the version of the Finance Committee's recommendation. The following amendments, among others, are now provided for in this version:

Based on the reports, the following changes to the Inflation Compensation Act have become necessary:

- The income tax rates for 2023 and 2024 will be adjusted and the effects of cold progression will be compensated for through adjustment of the income tax tariff bands.
- The basic tax-free allowance is to be increased by 561 EUR to **10,908 EUR** from **2023** and by a further 696 EUR to **11,604 EUR** from **2024**.
- Child benefit will be increased from 1 January 2023 by **250 EUR per child**.
- The child allowance (including the allowance for care, education and training needs) will be increased by 202 EUR to **8,750 EUR** from **2023** and by a further 180 EUR to **8,930 EUR** from **2024**.
- The top tax rate band is to be raised from the current annual income of 58,597 EUR to 62,810 EUR in **2023**, and for **2024** it is to be levied from an annual income of **66,761 EUR**.
- For the first time since the partial abolition of the solidarity surcharge, the tax-free amount will be raised from the previous 16,956 EUR to **18,130 EUR** or to **36,260 EUR** (previously 33,912 EUR) in the case of joint assessment.

Keywords

[Income Tax Act](#), [Inflation](#), [income tax exemption](#)