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By PwC Deutschland | 11 October 2024

Energy related tax reduction for the renewal of a heating system and payment in installments

The Supreme Tax Court decided that the tax reduction for energy-related measures, such as the installation of a modern boiler, can only be granted once the installation has been carried out and the invoice amount has been transferred in full to the account of the installation company.

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Background

In 2021 the plaintiffs (married couple) had modernized the heating system of the house they lived in by installing a new gas condensing boiler. The costs for the delivery and installation of the boiler amounted to over €8,000. The invoice also included costs for the hourly rates of the technician involved in setting up the boiler. Since March 2021, the plaintiffs paid fixed monthly rates of € 200 on the amount of the invoice. As a result, € 2,000 was paid in 2021. When assessing the income tax for 2021, the tax office rejected the tax reduction for energy-related measures applied for by the plaintiffs. This would not be possible until the final installment is paid in 2024. The tax court and the also theSupreme Tax Court agreed and rejected the appeal brought by the claimants.

Decision

According to theSupreme Tax Court, the tax reduction for energy-related measures cannot be claimed until the taxpayer has paid the full amount as stated on the invoice for the eligible measure to the service provider. Section 35c (4) no. 1 Income Tax Act (ITA) requires that the taxpayer has received an invoice in German language with specific details of the work done. Further, it is expressly required that payment is made specifically to the account of the entrepreneur who provided the service. Until the invoice has been paid in full, the measure has not been completed as required by Section 35c (1) ITA. As a result, also the partial payments made in 2021 are not available for the tax privilege.

In its conclusion, the Supreme Tax Court points out that a tax reduction in accordance with Section 35a (3) ITA for craftsmen's (craftspeople) services is possible in the 2021 year of dispute. However, according to this provision, only the labor costs and not the material costs are eligible. If, however, the tax reduction for craftsmen's services is claimed, an additional subsidy based on Section 35c ITA is excluded.

Source:

Supreme Tax Court, decision of 13 August 2024 (IX R 31/23) – published on 10 October 2024.

Keywords

renewable energy