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By PwC Deutschland | 24 February 2026

Costs for employee farewell party borne by employer not taxable wage

In a judgment published today the Supreme Tax Court clarified that companies can cover the costs of farewell parties for departing employees without incurring tax disadvantages as long as the event is organized as a company event.

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More specifically, the Supreme Tax Court held that the costs of a reception borne by the employer to honor an employee's retirement do not constitute taxable wages as a benefit in kind for the departing employee if the event is a celebration organized by the employer. It is also noteworthy that this also applies even if the employer's expenses are proportionately allocated to the employee himself and to family members of the employee invited by the employer.

Background

In 2019, the plaintiff—a financial institution—held a reception at its business premises to honor the outgoing CEO and introduce his successor. The human resources department was responsible for organizing and implementing the event. The guest list was determined independently of the specific event based on business-related criteria. The approximately 300 invited guests included former and current members of the plaintiff's board of directors, selected employees, the administrative board, public figures from politics, administration, and important companies and institutions in the region. Representatives of banks and savings banks, associations, chambers, and cultural institutions, as well as representatives of the press, were also present. In addition, eight family members of the outgoing CEO were invited. The costs for the reception were borne by the plaintiff.

The tax office took the view that the costs were attributable to the former CEO as part of his wages and held the plaintiff liable for the tax due because customary benefits in kind provided by the employer on the occasion of an employee's departure constitute taxable wages if the employer's expenses exceed €110 per guest.

The lower tax court (the Lower Saxony Tax Court) had partially upheld the claim and affirmed taxable wages only to the extent that the costs were attributable to the departing CEO and his family members.

Decision

The Supreme Tax Court rejected the tax office's appeal. If the employer finances a celebration it is only considered as taxable wages if it is a private celebration for the employee but not if the guests are being entertained at a celebration organized by the employer. Whether it is organized by the employer or the employee must be decided considering all the circumstances of the specific case. In addition, it is also important to consider who is hosting the event, who decides on the guest list, who is invited, where the celebration is taking place, and what the nature of the celebration is (business or private).

The Supreme Tax Court had already established these principles in 2003 in a judgment concerning the birthday party of a member of the board of a cooperative bank and has now applied them to the case of the retirement of the chairman of the board. The farewell is predominantly of a professional nature. It represents the last act in the employee's active service with his employer and is therefore (still) part of his professional activity.

The departure of the outgoing CEO was accompanied by the inauguration of his

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successor. The plaintiff itself acted as host of the reception and determined the guest list. The reception ultimately took place on the plaintiff's premises. The Supreme Tax Court further clarified that, **contrary to the opinion of the lower tax court**, the costs incurred by the CEO himself and his family members are not considered wages if, as in the case in question, the participation of family members is customary in the company.

Source:

Supreme Tax Court, judgment of 19 November 2025 (VI R 18/24) published on 24 February 2026.

Keywords

Employee events, employee benefit, taxable benefit