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Dismissal of objections raised against standard actuarial interest rate used for valuation of pension provisions

On 18 March 2026, the highest state tax authorities issued a general order rejecting all admissible objections against the statutory actuarial interest rate of 6 percent used in the calculation of the partial (going-concern) value of pension provisions and which are pending as of that date.

For years, the fixed discount rate of 6 percent used for the tax valuation of pension provisions following Section 6a (3) Sentence 3 of the Income Tax Act has been criticized as potentially unconstitutional. In the current environment of low and zero interest rates, this high discount rate results in pension provisions being valued significantly lower on the tax balance sheet than on the commercial balance sheet. The current rejection concerns objections against:

- Assessments of income tax or corporation tax
- Separate determinations of losses pursuant to Section 10d (4), Sentence 1 Income Tax Act
- Assessments of the base for trade tax (upon which the country-wide uniform factor of 3.5% and the individual tax rate of the municipality is then applied)
- Separate (and, where applicable, uniform) determinations of tax bases
- Notices of rejection concerning the amendment of any of the aforementioned assessments or determinations

Beyond that, this general order also covers applications for the revocation or amendment of assessments or determinations filed outside of an objection or legal action, provided that such applications were pending and admissible as of 18 March 2026.

Taxpayers whose appeals are covered by this general order may file a lawsuit with the competent tax court within one year of the date of notification. Affected companies should promptly determine whether their appeals are covered by the order and, if necessary, take legal action.

Keywords

pension provision, valuation