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By PwC Deutschland | 21 April 2026

# Saxony Finance Court rules that losses on securities rendered non-tradable due to sanctions are not tax-deductible

**Losses arising from the inability to trade Russian government bonds and Russian shares cannot be taken into account for income tax purposes in 2022. This was the ruling of the Saxony Finance Court in Leipzig in a recent judgment.**

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## Facts

The plaintiffs had invested in Russian government bonds and depositary receipts representing ownership of Russian shares (ADRs and GDRs). Due to Russia's war of aggression against Ukraine, neither the government bonds nor the depositary receipts were tradable and were valued at zero or not at all by the plaintiffs' custodian bank. Nor were they paid any dividends.

The plaintiffs therefore considered their capital claims to be irrecoverable and sought tax recognition of the losses.

## Judicial decision

Both the tax office and the 2nd Senate of the Saxon Finance Court refused to allow the losses to be offset against income from capital assets.

The shares had not been sold or redeemed, so a capital loss could not have arisen. Nor were the Russian companies or the Russian state insolvent.

The court was not persuaded by the plaintiffs' objection that the securities were currently effectively worthless because, amongst other reasons, they could not be traded due to EU sanctions. It was not unlikely that the bonds would become tradable again at a time not yet known. A dividend payment would also be possible again once the sanctions were lifted.

## Source:

Saxon Finance Court, judgment of 25 February 2026 (2 K 602/25); an appeal is pending before the Supreme Tax Court under ref. no. VIII R 5/26, see the press release of 20 April 2026.

## Keywords

Russia, capital loss, sanctions