



ADEN IMMOBILIEN

BERLIN - PARIS



The Complete Guide to Real Estate Taxes in Germany

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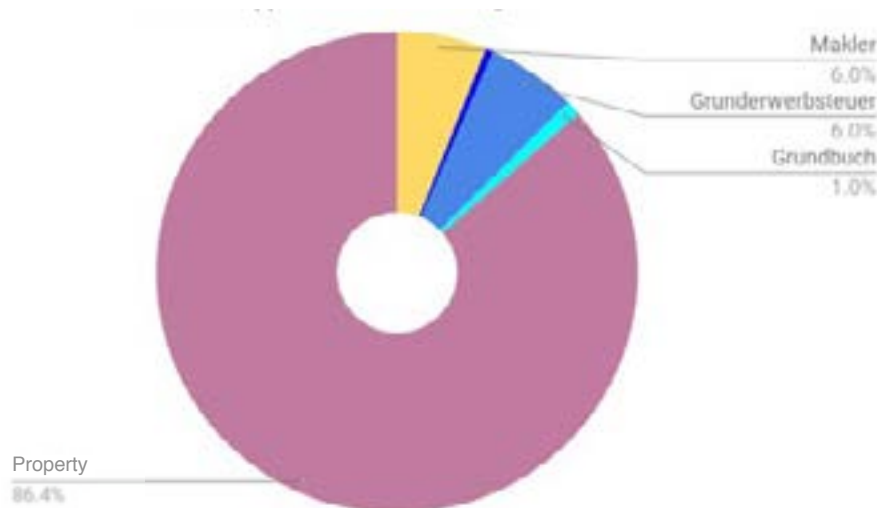
Buying and Selling Real Estate

(Land Transfers)

When land is being transferred in Germany, the buyer is expected to cover the side costs of the transaction.

These side costs around 13% on top of the property price, comprising:

- >> **6% real estate transfer tax (Grunderwerbsteuer)**, which must be paid within a month of signing the contract, after receiving a tax notice called the Grunderwerbsteuerbescheid.
- >> **0.5% fees for the public notary (Notar)**, who legitimises the sale contract and registers it with the authorities.
- >> **1% registration fees to the cadaster (Grundbucheintrag)** which is made by the Notar once the Grunderwerbsteuer is paid.
- >> **6.0% real estate broker fees + VAT** (for a total of 7.14%)



And what about the seller? In large cities like Berlin, where the real estate market is expanding fast, it is possible that the property has gained value and will be sold at a higher price than it was bought. **This is called capital gains, and is taxed accordingly in Germany:**

- >> **Firstly, the profit from the sale of private real estate** that was the main residence of the owner for two complete years (January to December) is exempt from capital gains tax.
- >> **Secondly, the profit from the sale of private real estate** that was held for ten complete years is exempt of capital gains.
- >> **In all other cases, the profit between the sales price and the acquisition price** is considered to be part of your income in the fiscal year in which the property is sold (more precisely, when the buyer pays the purchase price). So, for an apartment that was bought for €100,000 in 2010 and sold for €150,000 in 2005, the capital gains will be of €50,000. This is a rough example, since there are many costs related to the acquisition and improvement of the property that can be deducted from [the calculation](#) (for instance, broker and notary fees).

Financing Real Estate

Mortgages in Germany

If you want to buy a property in Germany, you will have to subscribe a mortgage with a German bank. You don't legally need to be a resident to open a bank account in Germany. But non-residents usually get offered lower amounts for their mortgage, around 50% of the property price. This means that you may need to pay up to 50% of the property upfront, which can be quite a sum! Especially if you add on top of that 15% of side costs. For German residents, the amounts differ in each situation, usually with a required 20% deposit.

Generally, lenders require borrowers to show a minimum yearly net income of EUR 20,000 and refuse any situation where the monthly instalments represent more than 35% of the borrower's revenue.

The four largest banks in Germany are Deutsche Bank, Commerzbank, Postbank and Hypovereinsbank. All of them offer mortgages, but it's good to check the small print as each package differs slightly. Most banks also have an online mortgage calculator, which can give you a better idea of the interest rates and fees. There are also many other financial institutions in Germany and crowdsourcing alternatives which offer mortgages, for instance [LoanLink](#)

A mortgage offer will specify the duration of the loan, the monthly payments to be made, and the interest rates. Be aware, however, that most mortgage brokers only guarantee a fixed interest rates for 10 years: this period of time is called the Zinsenbindung. After 10 years, new interest rates are renegotiated on the amount that is still due to the mortgage broker. But usually, after 10 years, you will have mostly repaid the interests of the loan, and a large amount of capital is still to be repaid! Therefore you should be very careful about the real meaning of your engagement into a credit and consult a financial advisor.

Disclaimer :

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Do you want to know more about the different types of mortgages offered by German bank? Read our **COMPLETE GUIDE TO BUYING PROPERTY AS A FOREIGNER.**



Local property tax

In Germany, property tax (Grundsteuer) is a local tax, levied by the municipality. It is determined based on the size of the property and every piece of real estate (unbuilt land included) is subject to this tax. But the good part is that property tax in Germany is quite low!

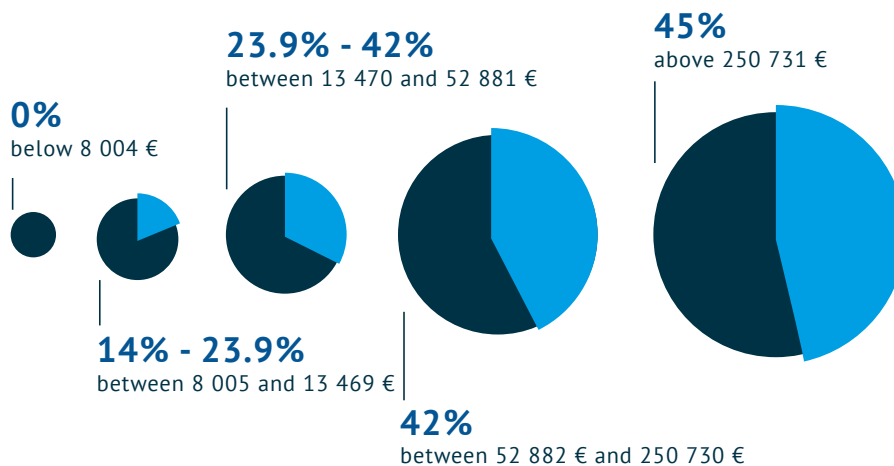
Property tax is usually paid every trimester, and can even be reflected in the monthly rent of the tenant. It is based on the fiscal value of the property (Einheitswert, which is usually below its market value) which is then multiplied by a location coefficient. In territories from the former West Germany, this coefficient varies between 2,6 and 6%, which regions in the former German Democratic Republic have a coefficient of 5 to 10%. This result is then subject to another coefficient, depending on the municipality. In the end, a standard flat in Berlin usually is taxed between 80 to 150 euros per year.



Rental income

Even when the landlord has his fiscal residence abroad, the rental revenues from a real estate property situated in Germany will be taxed under the German tax regime. These revenues must be declared every year with a fiscal report (Steuererklärung für beschränkt Steuerpflichtige). **Income tax varies between 14 and 45% of the total reported income, as illustrated in the table below** (married couples are allowed the same rate for the double the incomes indicated). **On top of these taxes, a 5.5% solidarity tax (Solisteuer) is levied.** It was originally meant to help the reconstruction and reunification effort, and was kept to help finance many public projects in Germany.

Tax rates on rental incomes in Germany



Source: G. Rubechi, *"Aperçu de la Fiscalité Immobilière en Allemagne"*, Revue Française de Comptabilité, N°462, Février 2013

Many charges can be deducted from one's rental revenue in Germany. For instance, the running costs of the coproperty, property taxes, broker fees as well as interests rates of your mortgage, if it was subscribed to in the EU.

Furthermore, the German income tax varies according to the nature of the rental: long or short term, furnished or not, ownership by a private person or a company, etc. ADEN IMMOBILIEN is not a fiscal advice company and recommends you talk to a tax advisor to determine your fiscal status with more accuracy.

In Germany, you are allowed to recoup your real instate investments, i.e. to account for the loss of value of your goods over time. This is true for apartments and buildings, not for land. Recouping works according to the following rules:

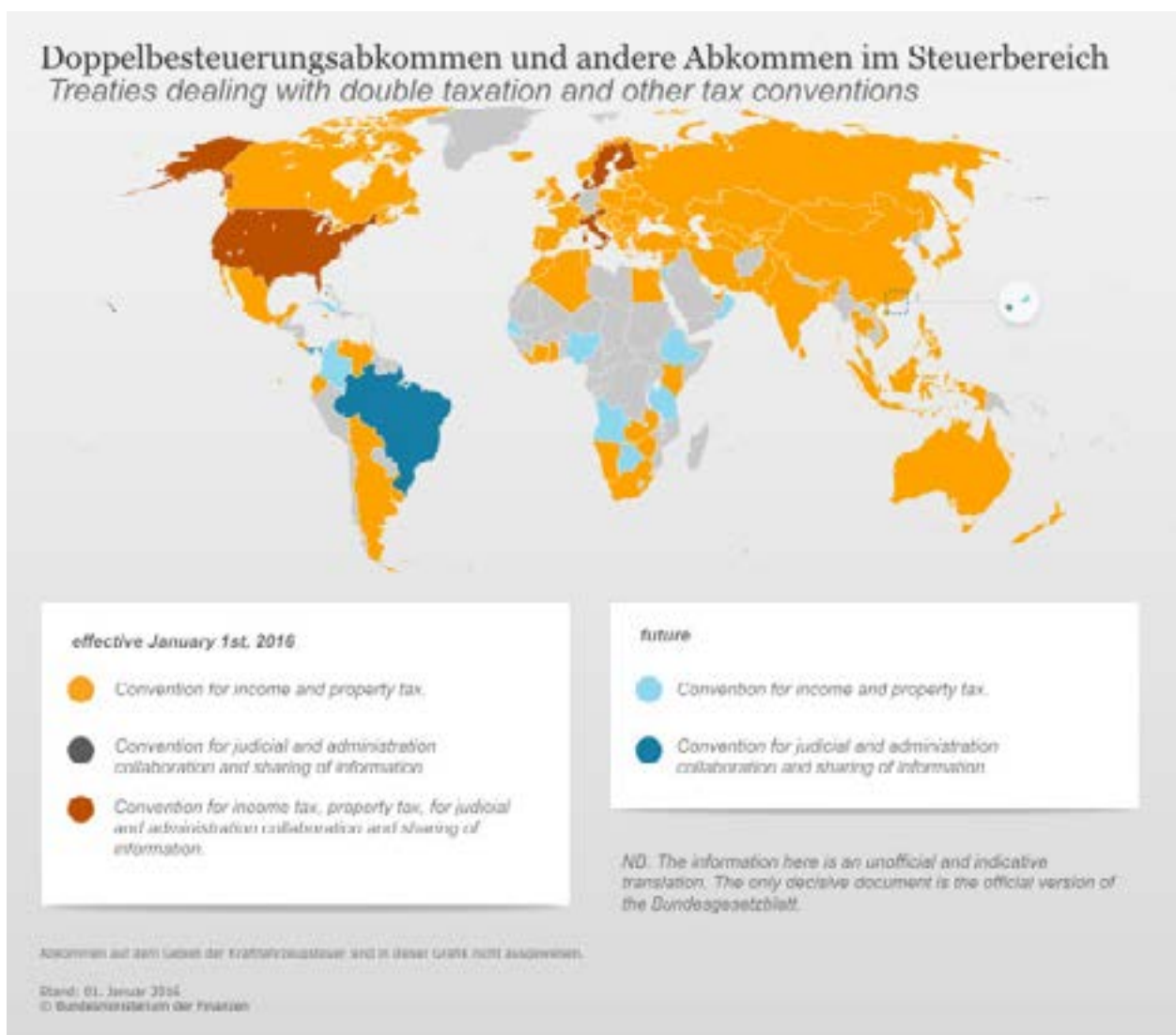
- >> 2,5% per year for 40 years, for properties built before 1925
- >> 2% per year for 50 years, for properties built after 1925

This process allows you to reduce the taxable base of your properties. **In the end, around 80% of our clients do not have to pay taxes on their rental revenue in Germany!**

The German tax system

Tax conventions

Property situated in Germany is taxed under the German tax system. There is no particular barrier for non-nationals and non-residents to buy and own property in the country. In fact, it is one of the most accessible real estate markets for international investors. Since the beginning of the 1960s, Germany has concluded tax treaties with many countries (in the OECD and beyond) to avoid double taxation. **In the case of real estate, this means that a landlord who owns property in Germany but has his fiscal residence abroad, would not be taxed twice for his property.** But there are subtleties to be discussed, in particular: rental income tax and capital gains tax.



Source: [Bundesfinanzministerium, Doppelbesteuerungsabkommen](#)

A tax treaty for income and property tax means that when a landlord lives outside of Germany, he will pay local property tax and make a tax declaration for rental incomes generated by his property in Germany. At the time of declaring his revenue in his country of residence, he should receive a tax exemption equivalent to the tax levied by Germany. Do check what the details of your country's tax treaty with Germany mean for rental incomes and for capital gains tax!



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