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Procedure of personal income tax return

1. General procedure

Since the year of your arrival in Germany you are required to report your personal annual income to the tax authority in Germany. Your annual income will include "...non German source income..." from January 1st until the physical date of your arrival in Germany.

Foreign source income is tax exempt in Germany but subject to the "exemption – with progression rule". This rule says that your non German source income must be added to your German source income for calculating your progressive tax rate. This tax rate is applicable for your German source income only.

Your income from trade or industry or your freelance earnings must be determined by a profit and loss account. Your income from wages and salaries must be confirmed by your employer's statement of earnings.

According to longstanding practice we prepare your tax return expeditiously by using our EDP software. We are partners of one of Europe's biggest EDP-Centers the DATEV e.G. in Nuremberg and use their professional software since more than twenty years.

We recommend early tax advice given in the year of your arrival in this country. This enables you to collect all actual dates and documentation needed for your tax return which will be prepared after the end of the calendar year.

2. Required measures

- 2.1 You contact us to arrange the assignment meeting
- 2.2 You read our questionnaire in detail "Questionnaire for the preparation of our assignment meeting", you provide documentation referring to your taxable income and you bring the questionnaire to our meeting, when you grant a power of attorney to us (see annex)
- 2.3 We clarify all factual and legal questions and will, if necessary, invite you for another meeting
- 2.4 We complete your tax return within adequate time
- 2.5 We send to you
 - a general return form (in duplicate)
 - various attachments according to your sources of income (in duplicate)
 - documentation and other information together with a covering letter for the tax office
 - documentation not needed for the tax office and the calculation of your income tax liability together with a covering letter for you
 - our fee note

- 2.6 You sign and date the general return form if you agree with the figures on the return and on the attachments
- 2.7 You forward the signed tax return to the tax office, you add the duplicate to your file and pay our fee
- 2.8 We examine in detail the assessment note, issued and forwarded to us by the tax office
- 2.9 We submit the original of the assessment note and a report about our examination to you
- 2.10 You arrange the final income tax payment to the tax office according to our report
- 2.11 You forward your evaluation of our services to us (see annex).

3. Income tax rates in Germany

Income tax rates in this country have reached a rather high level. Actual rates for 2006 are for example - including Solidarity Charge:

Net taxable Income €	Single person €	Married couple €
40,000	9,695	5,991
45,000	11,671	7,466
50,000	13,751	8,980
60,000	18,154	12,209
80,000	26,981	19,389
100,000	35,790	27,502
120,000	44,610	36,307

The rather high "nominal" tax rates in this country correspond with a rather great variety of employment related deductions, which reduce the basis of the assessment and thus the "effective" tax rates.