

# Buying Real Estate in Germany

Everybody can buy

Federal structure with 16 federal states

Tax laws in Germany the most extensive and complicated in the world

Never do anything without a professional tax adviser

## **Buying Tax:**

Land transfer tax, depending on the federal state between 3.5% and 7.5% on the purchase price

Purchase only possible via notary

Costs notary, land registry, registration of a mortgage approx. 1% to 2%.

- Depends on the purchase price of the property

## **Annual Property Tax:**

Property tax: here, a so-called standard tax value of the property is determined according to complicated calculation methods.

This is then multiplied by the individual multiplier rate of the municipality in which the building is located.

The whole procedure is currently being redone and the exact effects cannot yet be estimated.

- The only thing that can be said: It is getting more expensive

## **Sales Tax:**

It depends on whether the property was owner-occupied or rented out (investment).

Owner-occupied:

- as a rule, tax-free on sale, as long as no more than three sales in 5 years.
  - o So-called 3-property limit.
  - o Otherwise the tax office assumes commercial property trading.
- Is very complicated!

Investment:

- Owned as private property:
  - o sale usually tax-free, if the property was bought privately and owned for more than 10 years (but will probably be stricter) and no more than 3 sales in 5 years.
  - o Otherwise the profit (difference between book value and sales value) is taxable.
  - o Tax rate up to 48% depending on profit

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- Purchase via company:
  - o profit from difference between book value and sales value is taxable.
  - o 15% corporation tax, plus solidarity surcharge, plus approx. 15% trade tax depending on municipality.
  - o Total approx. 31%.

Larger investments are usually bought in a company.

## Capital Gain Tax:

25% tax on interest, dividends, gains from the sale of shares and funds

## Inheritance Tax:

Very complicated! A difference is made according to

- family relationship to the testator and the size of the inheritance. The more closely the inheritance is related to the family, the higher the tax-free amount and the lower the tax rate. The larger the inheritance, the higher the tax
  - o Tax class I, tax allowances: Spouse € 500,000, children € 400,000, grandchildren € 200,000.
    - Tax rate 7% to 30%
  - o Tax class II, tax allowances: e.g. parents, siblings, nephews, € 20,000
    - Tax rate 15% to 43
  - o Tax class III, tax allowances: all others, € 20,000
    - Tax rate 30% to 50%

## Perspective:

- New Building Energy Act with obligatory renovation of old buildings
- prohibition of the installation of oil or gas heating systems as of 2024
  - o → enormous costs on the real estate portfolio

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All without guarantee, always ask your tax advisor! Tax laws change often.

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