

## German Operating Expenses

According to § 4 Section 4 EStG operating expenses are costs caused by operating a business.

These include:  
(non-exhaustive list)

- Accounting expenses
- Advertising costs
- Allowances for doubtful accounts
- Bank charges
- Business taxes, including interest
- Commission payments
- Company celebrations (Christmas party, company anniversary, etc.)
- Compensation for damages
- Consulting costs
- Contributions (such as to business and professional associations)
- Costs associated with starting a business (consulting, promotion, planning costs, etc.)
- Costs of accidents on business trips
- Costs of renovation work
- Costs of repair
- Costs of running two households
- Depreciations
  - Previous assets
  - Newly acquired assets
  - Low-value assets with a value between EUR 150 and EUR 410
  - Special depreciations / investment deductions
- Donations
- Energy costs (electricity, water, heating, etc.)
- 70 % of entertainment costs including tips
- Financing costs
- Gifts to business partners up to 35 EUR (gross) per person and year
- Gifts to employees up to 40 EUR
- Home office (if there is no other workplace)
- Insurance costs
- Lease payments
- Legal consulting
- Loan interest (even to relatives)
- Losses of goods
- Office supplies
- Personnel costs
  - Wages and salaries
  - Salaries paid to temporary staff
  - Social security contributions
  - Payroll tax, church tax, solidarity surcharge
  - Capital-forming benefits
  - Company pensions, etc.

- Provisions for possible future charges
- Purchases of goods
- Rental expenses
- Research and development costs
- Specialist literature
- Telephone and telefax fees, internet charges
- Third-party services
- Training expenses (also for employees)
  - Travel expenses
  - Additional meal expenses
  - Fees
- Travel expenses (car, taxi, plane, public transport, etc.) for commuting between home and workplace
- Travel expenses for business trips / employees business trips
  - Travel expenses
  - Additional meal expenses
  - Accommodation costs
  - Associated costs
- Value added tax; net income method: paid vat
- Vehicle costs
- Work equipment

Further there are some non-deductible business expenses according to § 4 Section 5, 5b and 6 EStG. These are:

- Administrative fines and penalties
- 30 % of entertainment costs including tips or unreasonable entertainment costs
- Gifts to business partners over 35 EUR (gross) per person and year
- Donations to political parties
- Interest on evaded taxes

If you have any questions on this subject, please feel free to contact us.