



Observatory for the Protection of Taxpayers' Rights

Below you will find a questionnaire filled in by or with the contribution of the National Reporters of Germany, Dr. iur. Daniel Dürrschmidt, a representative of the Academia, Dr. iur. Eva Oertel a representative of the Tax Administration and Dr. iur. Martin Bartelt a representative of the tax practitioners.

This questionnaire comprises the National Reporter assessment on the level of compliance of the minimum standards and best practices on the practical protection of taxpayers' rights identified by Prof. Dr. Pistone and Prof. Dr. Philip Baker at the 2015 IFA Congress on "*The Practical Protection of Taxpayers' Rights*". This report was filled in considering the following parameters:

1. It contains information on those issues in which there were movements towards or away from the level of compliance of the relevant standard/best practice in Germany between 2015 and 2017.
2. It is indicated, by the use of a checkmark () whether there were movements towards or away from of the level of compliance of the relevant standard/best practice in Germany between 2015 and 2017.
3. It contains a summarized account on facts (legislation enacted, administrative rulings, circulars, case law, tax administration practices) that serves as grounds for each particular assessment of the level of compliance of a given minimum standard / best practice, in a non-judgmental way.

Germany

Minimum Standard	Best Practice	Shift towards	Shift away	Development
1. Identifying taxpayers, issuing tax returns and communicating with taxpayers				
Implement safeguards to prevent impersonation when issuing unique identification numbers				
The system of taxpayer identification should take account of religious sensitivities		<input checked="" type="checkbox"/>		In order to protect taxpayers, the law explicitly states that third parties obliged to withhold church tax must not use information related to membership of a religious group for purposes other than withholding tax ¹ . Since 2015, banks and other third parties have been obliged to withhold church tax on capital income. The law provides for additional specific mechanisms for the protection of taxpayers' rights: (i) Upon application of taxpayers, tax authorities must not provide banks and other third parties obliged to withhold tax on capital income with information on the membership of a religious group (so called "lock flag" ["Sperrvermerk"]) ² . In such case, if banks and other third parties comply with their obligation to request information relevant for church tax, tax authorities provide the third parties with a "neutral value" ("neutraler Wert"), so called "zero value" ("Nullwert"), which does not contain any information as to whether or not the taxpayer is a member of a religious group ³ . (ii) Further, the third party has to delete data related to the membership of a religious group ⁴ .
Impose obligations of confidentiality on third parties with respect to information	Where tax is withheld by third parties, the taxpayer should be excluded from liability if the third party fails to pay over the tax	<input checked="" type="checkbox"/>		In 2016, the law covering third party obligations to gather information for tax purposes and to transmit them to tax authorities electronically was amended. On the one hand, new obligations were

¹ § 39(8)(1) EStG and, e.g., Art. 13(1)(2) BayKiStG (withholding tax on wages) and § 51a(2c)(8) EStG and, e.g., Art. 13a(2) BayKiStG (withholding tax on capital income). Further, see below *Minimum Standard: Impose obligation of confidentiality on third parties with respect to information gathered by them for tax purposes*.

² § 51a(2c)(1) no.3(1) EStG.

³ § 51a(2c)(1) no.3(10) EStG.

⁴ § 51a(2c)(1) no.3(11) EStG.

gathered by them for tax purposes				established (e.g., health insurance companies must provide information on contributions paid by taxpayers ⁵). On the other hand, the protection of taxpayers' right was improved: (i) Third parties may use information gathered solely for transmission to tax authorities only for this purpose, unless the law provides otherwise ⁶ . (ii) Further, the law explicitly states that employers obliged to withhold taxes, which may include church tax, on wages may use information on the membership of a religious group only for withholding tax purposes ⁷ . The same holds true for banks and other third parties obliged to withhold taxes on capital income ⁸ . See above. (iii) In any case, third parties have to inform taxpayers about the information transmitted to tax authorities ⁹ . (iv) Moreover, third parties "shall" ("sollen") not transmit information if they realize that they were obliged to transmit information as early as seven years after the end of the fiscal year ¹⁰ .
Where pre-populated returns are used, these should be sent to taxpayers to correct errors				
Provide a right of access for taxpayers to personal information held about them, and a right to apply to correct inaccuracies	Publish guidance on taxpayers' rights to access information and correct inaccuracies			
Where communication with taxpayers is in electronic form, institute systems to prevent impersonation or interception				
Where a system of "cooperative compliance" operates, ensure it is available on a non-discriminatory and voluntary basis		<input checked="" type="checkbox"/>		In 2016 German tax authorities clarified for the first time that an implemented Tax Compliance Control Framework ("Innerbetriebliches Kontrollsystem") can be regarded as an

⁵ § 10(1) no. 3 and § 10(2)(3) and § 10(2a) EStG.

⁶ § 93c(7) AO.

⁷ § 39(8)(1) EStG and, e.g., Art. 13(1)(2) BayKiStG.

⁸ § 51a(2c)(8) EStG and, e.g., Art. 13a (2) BayKiStG.

⁹ § 93c(1) no.3(1) AO.

¹⁰ § 93c(2) AO.

				indication against intent and recklessness for criminal law purposes. This was at the same time the starting point for the current discussion on the subject of new forms of communication and enhanced cooperation between the tax authorities and taxpayers.
Provide assistance for those who face difficulties in meeting compliance obligations, including those with disabilities, those located in remote areas, and those unable or unwilling to use electronic forms of communication				
Minimum Standard	Best Practice	Shift towards	Shift away	Development
2. The issue of tax assessment				
	Establish a constructive dialogue between taxpayers and revenue authorities to ensure a fair assessment of taxes based on equality of arms			
	Use e-filing to speed up assessments and correction of errors, particularly systematic errors	<input checked="" type="checkbox"/>		<p>Germany has seen a fundamental reform of its procedural law in 2016. The new law became effective as of 1st January 2017. The changes in the General Tax Code (Abgabenordnung – AO) aim at modernizing the procedure for tax assessments. They shall provide the legal basis for the automatization of workflows and internal reorganization.</p> <p>Taxpayers may use modern technology for the filing of tax returns and for communication with the tax administration. One of the core aspects of the reform is the amendment of § 88 AO, which stipulates the principle of official investigation in tax matters (Untersuchungsgrundsatz) . As a consequence, an exception of this principle applies if investigations are economically unreasonable or inefficient. Many amendments of the law focus on the goal that tax assessments are done automatically to speed up assessments. If problems occur, taxes are assessed by tax inspectors.</p> <p>Further, the deadline for the declaration of taxes is generally enhanced, i.e., 14 months if taxpayers are represented by a tax advisor, and 7 months in other cases. The legislator intended to equalize the workflow during the course of the year, being beneficial</p>

				both for tax authorities and taxpayers. In order to speed up the tax assessment procedure and, at the same time, guarantee equality in enforcement of tax law, the legislator recently established a right for superior tax authorities to order that a local tax office competent for tax assessment procedures must be supported by other local tax authorities.
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3. Confidentiality

Provide a specific legal guarantee for confidentiality, with sanctions for officials who make unauthorised disclosures (and ensure sanctions are enforced)	Encrypt information held by a tax authority about taxpayers to the highest level attainable			
Restrict access to data to those officials authorised to consult it. For encrypted data, use digital access codes	Ensure an effective fire-wall to prevent unauthorised access to data held by revenue authorities			
Audit data access periodically to identify cases of unauthorised access				
Introduce administrative measures emphasising confidentiality to tax officials	Appoint data protection/privacy officers at senior level and local tax offices			
If a breach of confidentiality occurs, investigate fully with an appropriate level of seniority by independent persons (e.g. judges)				
Introduce an offence for tax officials covering up unauthorised disclosure of confidential information				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
3. Confidentiality (cont).				

Provide remedies for taxpayers who are victims of unauthorised disclosure of confidential information				
Exceptions to the general rule of confidentiality should be explicitly stated in the law, narrowly drafted and interpreted				
If “naming and shaming” is employed, ensure adequate safeguards (e.g. judicial authorisation after proceedings involving the taxpayer)	Require judicial authorisation before any disclosure of confidential information by revenue authorities			
No disclosure of confidential taxpayer information to politicians, or where it might be used for political purposes	Parliamentary supervision of revenue authorities should involve independent officials, subject to confidentiality obligations, examining specific taxpayer data, and then reporting to Parliament			
Freedom of information legislation may allow a taxpayer to access information about himself. However, access to information by third parties should be subject to stringent safeguards: only if an independent tribunal concludes that the public interest in disclosure outweighs the right of confidentiality, and only after a hearing where the taxpayer has an opportunity to be heard				
If published, tax rulings should be anonymised and details that might identify the taxpayer removed	Anonymise all tax judgments and remove details that might identify the taxpayer			

Minimum Standard	Best Practice	Shift	Shift	Development
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3. Confidentiality (cont).				
Legal professional privilege should apply to tax advice	Privilege from disclosure should apply to all tax advisors (not just lawyers) who supply similar advice to lawyers. Information imparted in circumstances of confidentiality may be privileged from disclosure			
Where tax authorities enter premises which may contain privileged material, arrangements should be made (e.g. an independent lawyer) to protect that privilege				
4. Normal audits.				
Audits should respect the following principles: (1) Proportionality (2) <i>Ne bis in idem</i> (prohibition on double jeopardy) (3) <i>Audi alteram partem</i> (right to be heard before any decision is taken) (4) <i>Nemo tenetur se detegere</i> (principle against self-incrimination). Tax notices issued in violation of these principles should be null and void				
In application of proportionality, tax authorities may only request for information that is strictly needed, not otherwise available, and must impose least burdensome impact on taxpayers				
	In application of <i>ne bis in idem</i> the taxpayer should only receive one audit per taxable period, except when facts that become known after the audit was completed			

Minimum Standard	Best Practice	Shift towards	Shift away	Development
4. Normal audits (cont).				
In application of <i>audi alteram partem</i> , taxpayers should have the right to attend all relevant meetings with tax authorities (assisted by advisors), the right to provide factual information, and to present their views before decisions of the tax authorities become final				
In application of <i>nemo tenetur</i> , the right to remain silent should be respected in tax audits.				
	Tax audits should follow a pattern that is set out in published guidelines			
	A manual of good practice in tax audits should be established at the global level			
	Taxpayers should be entitled to request the start of a tax audit (to obtain finality)			
Where tax authorities have resolved to start an audit, they should inform the taxpayer	Where tax authorities have resolved to start an audit, they should hold an initial meeting with the taxpayer in which they spell out the aims and procedure, together with timescale and targets. They should then disclose any additional evidence in their possession to the taxpayer			
Taxpayers should be informed of information gathering from third parties				
	Reasonable time limits should be fixed for the conduct of audits			
Technical assistance (including representation) should be available at all stages of the audit by experts				

selected by the taxpayer				
Minimum Standard	Best Practice	Shift towards	Shift away	Development
4. Normal audits (cont).				
The completion of a tax audit should be accurately reflected in a document, notified in its full text to the taxpayer	The drafting of the final audit report should involve participation by the taxpayer, with the opportunity to correct inaccuracies of facts and to express the taxpayer's view			
	Following an audit, a report should be prepared even if the audit does not result in additional tax or refund			
5. More intensive audits.				
	More intensive audits should be limited to the extent strictly necessary to ensure an effective reaction to non-compliance			
If there is point in an audit when it becomes foreseeable that the taxpayer may be liable for a penalty or criminal charge, from that time the taxpayer should have stronger protection of his right to silence, and statements from the taxpayer should not be used in the audit procedure				
Entering premises or interception of communications should be authorised by the judiciary				
Authorisation within the revenue authorities should only be in cases of urgency, and subsequently reported to the judiciary for <i>ex post</i> ratification				
Inspection of the taxpayer's home should require authorisation by the judiciary and only be given in exceptional cases.	Where tax authorities intend to search the taxpayer's premises, the taxpayer should be informed and have an opportunity to appear before the judicial authority, subject to exception where there is evidence of danger that documents will be removed or destroyed			

	Access to bank information should require judicial authorisation			
Minimum Standard	Best Practice	Shift towards	Shift away	Development
5. More intensive audits (cont).				
	Authorisation by the judiciary should be necessary for interception of telephone communications and monitoring of internet access. Specialised offices within the judiciary should be established to supervise these actions			
Seizure of documents should be subject to a requirement to give reasons why seizure is indispensable, and to fix the time when documents will be returned; seizure should be limited in time				
	If data are held on a computer hard drive, then a backup should be made in the presence of the taxpayer's advisors and the original left with the taxpayer			
Where invasive techniques are applied, they should be limited in time to avoid disproportionate impact on taxpayers				
6. Review and appeals.				
	E-filing of requests for internal review to ensure the effective and speedy handling of the review process			
The right of appeal should not depend upon prior exhaustion of administrative reviews				
	Reviews and appeals should not exceed two years			

<i>Audi alteram partem</i> should apply in administrative reviews and judicial appeals				
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Minimum Standard	Best Practice	Shift towards	Shift away	Development
6. Review and appeals (cont).				
Where tax must be paid in whole or in part before an appeal, there must be an effective mechanism for providing interim suspension of payment	An appeal should not require prior payment of tax in all cases			
	The state should bear some or all of the costs of an appeal, whatever the outcome			
Legal assistance should be provided for those taxpayers who cannot afford it				
Taxpayers should have the right to request the exclusion of the public from a tax appeal hearing				
Tax judgments should be published				
7. Criminal and administrative sanctions.				
Proportionality and <i>ne bis in idem</i> should apply to tax penalties				
	Where administrative and criminal sanctions may both apply, only one procedure and one sanction should be applied			
	Voluntary disclosure should lead to reduction of penalties			
Sanctions should not be increased simply to encourage taxpayers to make voluntary disclosures				

8. Enforcement of taxes.				
Collection of taxes should never deprive taxpayers of their minimum necessary for living				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
8. Enforcement of taxes (cont).				
	Authorisation by the judiciary should be required before seizing assets or bank accounts			
Taxpayers should have the right to request delayed payment of arrears				
	Bankruptcy of taxpayers should be avoided, by partial remission of the debt or structured plans for deferred payment			
Temporary suspension of tax enforcement should follow natural disasters				
9. Cross-border procedures.				
The requesting state should notify the taxpayer of cross-border requests for information, unless it has specific grounds for considering that this would prejudice the process of investigation. The requested state should inform the taxpayer unless it has a reasoned request from the requesting state that the taxpayer should not be informed on grounds that it would prejudice the investigation	The taxpayer should be informed that a cross-border request for information is to be made			
	Where a cross-border request for	<input checked="" type="checkbox"/>		Under German tax law, the principle of official investigation in tax matters (Untersuchungsgrundsatz) applies. The law explicitly

	information is made, the requested state should also be asked to supply information that assists the taxpayer			stipulates that tax authorities must investigate both against and in favour of taxpayers. With regard to cross border exchange of information, German law complies with the OECD approach, according to which all kind of information should be requested that might be “foreseeably relevant” for the tax assessment. Both legally and practically, information exchange includes information advantageous and disadvantageous for taxpayers. In January 2017, tax authorities have released an explanatory note on joint tax audits, where it is pointed out that the cross-border examination tools should be used both to avoid double taxation and double non-taxation.
	Provisions should be included in tax treaties setting specific conditions for exchange of information	<input checked="" type="checkbox"/>		See Branch Report Germany on relevant tax treaty provisions. Additional information: According to a decision of the tax court of Cologne ¹¹ , specific information about tax cases must not be submitted to foreign tax authorities if there is no foreseeable relevance in the sense that the information exchange is not linked to tax assessments, but rather a general analysis of tax structures.

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9. Cross-border procedures (cont).				
If information is sought from third parties, judicial authorisation should be necessary				
	The taxpayer should be given access to information received by the requesting state			
	Information should not be supplied in response to a request where the originating cause was the acquisition of stolen or illegally obtained information A requesting state should provide			

¹¹ FG Köln, 7.9.2015, 2 V 1374/15.

	confirmation of confidentiality to the requested state			
A state should not be entitled to receive information if it is unable to provide independent, verifiable evidence that it observe high standards of data protection				
	For automatic exchange of financial information, the taxpayer should be notified of the proposed exchange in sufficient time to exercise data protection rights			
	Taxpayers should have a right to request initiation of mutual agreement procedure			
Taxpayers should have a right to participate in mutual agreement procedure by being heard and being informed as to progress of the procedure				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
10. Legislation.				
Retrospective tax legislation should only be permitted in limited circumstances which are spelt out in detail	Retrospective tax legislation should ideally be banned completely			
	Public consultation should precede the making of tax policy and tax law			
11. Revenue practice and guidance.				
Taxpayers should be entitled to access all relevant legal material, comprising legislation,				

administrative regulations, rulings, manuals and other guidance				
Where legal material is available primarily on the internet, arrangements should be made to provide it to those who do not have access to the internet				
Binding rulings should only be published in an anonymised form		<input checked="" type="checkbox"/>		Binding rulings are not published. However, the law governing binding rulings was amended in 2016. As a consequence, tax authorities "shall" ("sollen") make a decision within six months after the application was filed . If tax authorities cannot make a decision within the time limit, they must at least notify the applicant and give reasons .
Where a taxpayer relies upon published guidance of a revenue authority which subsequently proves to be inaccurate, changes should apply only prospectively				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
12. Institutional framework for protecting taxpayers' rights.				
Adoption of a charter or statement of taxpayers' rights should be a minimum standard	A separate statement of taxpayers' rights under audit should be provided to taxpayers who are audited			
	A taxpayer advocate or ombudsman should be established to scrutinise the operations			

	of the tax authority, handle specific complaints, and intervene in appropriate cases. Best practice is the establishment of a separate office within the tax authority but independent from normal operations of that authority			
	The organisational structure for the protection of taxpayers' rights should operate at local level as well as nationally			