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COMMISSION STAFF WORKING DOCUMENT

Mind the Gap Report
Challenges and opportunities for tax compliance and tax expenditure in the EU

Germany

EN EN

Country fiche: Germany

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Estimates of the corporate income tax ('CIT') gap and the shadow economy indicate that Germany's corporate income tax ('CIT') gap and its shadow economy are smaller than the EU average**. Commission estimates suggest a relatively small CIT tax gap of 7.6%, and the size of the shadow economy is estimated at 8.8%, below the EU average of 17.6%. In addition, Germany's VAT compliance gap is close to the EU average. Germany generally performs well in VAT administration, although some processes could be simplified.
- **Germany reports on and partly evaluates tax expenditures (TEs).** A report is published biannually which includes both direct subsidies and tax expenditures. Major TE positions have been recently evaluated, often by external actors. The Court of Auditors has flagged up to EUR 30 billion in potential savings through better management or reduction of TEs.
- **Germany demonstrates stable performance in tax collection and tax recovery**. Recent changes to the VAT law help modernise VAT tax collection by introducing obligatory e-Invoicing for transactions between domestic firms For tax recovery, risk-management systems are in place which may have contributed to Germany's very low level of tax arrears (the second lowest in the EU, relative to total revenue collected). However, coordination across tax administrations at federal and Länder level remains a challenge.

Areas for Improvement

- **The digital transformation of the tax administration progresses only slowly, in part due to tasks being fragmented across the Länder.** While digital strategies exist, their nationwide implementation has faced obstacles in the recent past. Tax administrations at Länder level often have their own local IT systems. The KONSENS initiative – the common IT software strategy for Germany's tax administrations – was initiated in 2007. However, it saw a series of delays along the way and therefore regularly faced criticism, including by the Federal Court of Auditors. The Court in 2025 reiterated its call for a binding overall plan outlining a schedule for the complete cross-Länder rollout of at least the core IT processes of KONSENS.
- **Germany does not officially estimate or publish national tax gaps.** However, the German Federal Ministry of Finance is one of the EU national administrations which participate in the EU TADEUS/FISCALIS project on tax gap estimation, including the CIT gap subgroup. Estimating CIT and personal income tax ('PIT') compliance gaps could help policy makers understand the nature and magnitude of the problems related to CIT and PIT tax collection. In addition, measuring and monitoring tax compliance gaps can support tax administration in assessing the effectiveness of their tax policy actions.

1. Snapshot of Tax System: Tax Revenues and their Sources

Germany's tax system shows a strong reliance on labour taxation. In 2023, total tax revenues in Germany reached 39.0% of GDP, in line with the EU average ([1]). The share of labour taxes (including social security contributions) in total tax revenue is, at 56.5%, the 2nd highest in the EU (average of 51.2%). Germany has one of the highest tax wedges ([2]) in the EU for all wage levels for a single worker. Consumption taxes represented 25.2% of total tax revenue, below the EU average of 26.9%. Capital taxation accounted for 18.3% of all tax collected in Germany, 3.6 percentage points below the EU average. At the same time Germany has one of the highest statutory and effective corporate tax rates in the EU. The country's corporate tax system is also relatively complex (see section 5.4) and German SMEs face one of the highest perceived tax-compliance costs in the EU ([3]).

Germany's tax-benefit system reduces income inequality effectively, despite the low progressivity of labour taxation. Overall, the tax and benefit system reduced income inequality (measured as the difference in Gini coefficients before and after taxes and benefits) by 11.3 percentage points in 2023, 3.6 percentage points above the EU average ([4]). Thanks to it, both concentration of disposable income ([5]) and the share of people at-risk-of-poverty or social exclusion are well in line with the EU average ([6]). By contrast, labour taxation (including social security contributions) is less progressive than in most of EU countries, as the difference in the tax wedge between high-income (167% of average wage) and low-income earners (67% of average wage) is only 5.1 percentage points (compared to 7.8 percentage points on average) ([7]).

2. Monitoring of Compliance Gaps

2.1. Overview

Germany is not among the EU Member States that officially estimate or publish national tax gaps. Germany does not produce and report tax gap estimation figures, besides its involvement in the EU VAT gap estimation exercise. In addition, the German Federal Ministry of Finance is one of the EU

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[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2025 (reference year 2023). The 2026 edition (reference year 2024) will be published in the first quarter of 2026. Preliminary data point to a downward revision of tax revenue data for 2023 (to 38.8% of GDP), followed by an increase of total tax revenues to 39.6% of GDP in 2024: https://doi.org/10.2908/GOV_10A_TAXAG.

[2] The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer). In 2024, the tax wedge for a single worker in Germany earning 100% of the average wage was 47.9%, compared to an EU average of 40.3%. Data are based on European Commission, DG ECFIN: Tax and Benefits Database.

[3] European Investment Bank, *EIB investment survey 2024*. See also Annex 5 on Making Business Easier.

[4] European Commission, DG EMPL calculations based on EU-SILC survey data.

[5] European Commission, Eurostat [ilc_di12].

[6] European Commission, Eurostat [ilc_peps01n].

[7] Public debate around "taxing the rich" is currently heating up in Germany. Several high-income earners openly subscribe to the "Tax Me Now" initiative which decries 'extreme inequality' in Germany and sees insufficient taxation of wealthy people as main reason.

national administrations which participate in the EU TADEUS/FISCALIS project on tax gap estimation ([8]), including the CIT gap subgroup.

2.2. Monitoring VAT Compliance Gap

In 2023, Germany's VAT compliance gap ([9]) was estimated at EUR 31 billion, equal to almost 10% of the VAT Total Tax Liability (VTTL) ([10]). With an overall EU VAT compliance gap of 9.5% of the VTTL, Germany presented the 10th largest VAT compliance gap among EU Member States. The gap increased sharply compared to 2022 (ca. +3 percentage points) and reversed the downward trend observed between 2019 and 2022 (from more than 10% in 2019 to around 7% in 2020 and 2021, and further down to around 6.5% in 2022). Germany's VAT compliance gap estimates for 2019 to 2022 were updated upwards in the 2025 edition of the VAT gap in Europe study by approximately 2 percentage points. This is due to benchmark revisions of national accounts, which included a higher than 5% revision of household final consumption. As this raises the VTTL, it led to a higher estimated VAT compliance gap compared to previous editions of the study ([11]).

Several contextual factors could help explain the recent observed increase in the VAT compliance gap. The rise in the number of bankruptcies (+22%) likely negatively affected VAT collection procedures, resulting in a higher gap. Despite the slightly reduced share of services in GDP (-1 percentage point), recreational services, restaurants, and accommodation services grew in nominal household consumption (+7%), as did tourism demand, measured by nights spent in tourist accommodations (+8%). As these services are typically associated with a higher level of non-compliance, these developments may have contributed to the rise in the VAT compliance gap. However, the methodology behind the estimation of the VAT compliance gap cannot establish a causal relationship between the increase in the gap and the economic developments described above.

In 2023, VAT losses due to Missing Trader Intra-Community (MTIC) fraud ([12]) were estimated at around EUR 5 billion in Germany. Despite some fluctuations, they displayed an overall increasing trend over time, increasing by over EUR 1.5 billion between 2010 and 2023 ([13]).

[8] European Commission (2025), Directorate-General for Taxation and Customs Union, *Towards a common approach to tax gap estimation in the EU – Fiscalis Project Group 008 – Final report*, Publications Office of the European Union, https://data.europa.eu/doi/10.2778/3068071.

[9] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.

[10] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.

[11] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., *VAT gap in Europe – Report 2025*, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

[12] Missing Trader Intra-Community (MTIC) fraud is a form of VAT fraud that exploits VAT-free cross-border trade within the EU. Fraudsters purchase goods VAT-free from another Member State, sell them domestically, charge VAT to their customers, and disappear before paying this VAT to the tax authorities.

[13] European Commission, CASE, Poniatowski, G., Śmietanka, A., and Skowronek, A., *VAT compliance gap due to Missing Trader IntraCommunity (MTIC) Fraud – Final Report Phase II*, Publications Office of the European Union, Luxembourg, 2024, https://data.europa.eu/doi/10.2778/6433841.

2.3. Corporate and Personal Income Tax Compliance Gap, and Measures of the Shadow Economy

The European Commission is not aware of any CIT and PIT compliance gap estimation activities in Germany at the time of writing of this document. Estimating CIT and PIT compliance gaps could help policy makers understand the nature and magnitude of the problems related to CIT and PIT tax collection. In addition, measuring and monitoring tax compliance gaps can support tax administration in assessing the effectiveness of their tax policy actions.

European Commission estimates suggest a relatively small CIT compliance gap in Germany. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using statistical data, the CIT compliance gap of Germany was at around 7.6% of collected CIT revenues in 2016 (using the GVA-based methodology) ([14]). According to the same methodology, the (unweighted) average for the CIT compliance gap is 10.9% of collected CIT revenues based on available estimates for 23 Member States.

The size of the shadow economy in Germany is well below the EU average. In 2022, the shadow economy in Germany was estimated at around 8.8% of its GDP (Schneider and Asllani 2023, for the European Parliament) ([15]), against an EU-27 unweighted average of 17.6%. This figure reflects a declining trend, with the estimates having almost halved in 20 years, from 16.7% in 2003 to 8.8% in 2022. The analysis referenced considers PIT, indirect taxes, tax moral, unemployment, self-employment, GDP-growth and business freedom as potential contributing factors to the shadow economy. Indirect taxes and unemployment stand out as the most important contributing factors for the shadow economy in Germany.

There is limited evidence on the extent of tax evasion in Germany. Data on tax evasion are also very sparse, though some indicators point to challenges. In a recent reply to a Parliamentary Question, the Federal Government states that the tax amount evaded since 2019, following final court judgement, varied between EUR 0.7 billion (2019) and EUR 1.4 billion (2024) ([16]). These figures might not be capturing all the magnitude of the problem. The EU Tax Observatory estimated that only the extent of international tax evasion by individuals (using offshore deposits) could have amounted to 0.24% of GDP already in 2016, an equivalent of about EUR 8 billion in that year ([17]).

[14] European Commission: Directorate-General for Taxation and Customs Union (2025), *The Corporate Income Tax Gap, A European approach to measuring losses in corporate tax revenues*, Publications Office of the European Union, https://data.europa.eu/doi/10.2778/0541549. The JRC has recently developed a novel approach to estimate the CIT gap based on National Accounts and existing data on the undeclared economy, providing approximations of the CIT gap for a majority of EU Member States. JRC's estimations are based on the exhaustiveness adjustments made to Gross Operating Surplus (GOS), Gross Value Added (GVA) and Gross Domestic Product (GDP), that national statistical offices perform to account for non-observed economy. The JRC approach does not capture CIT gaps associated with tax avoidance and (international) profit shifting, which would require other estimation methods.

[15] European Parliament (2022), *Taxation of the informal economy in the EU*. https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.

[16] Antwort der Bundesregierung (Drucksache 21/1707) auf die Kleine Anfrage der Fraktion Die Linke (Drucksache 21/1458). https://dserver.bundestag.de/btd/21/017/2101707.pdf.

[17] https://www.taxobservatory.eu/repository/estimating-international-tax-evasion-by-individuals/.

Germany, alongside with other EU Member States, suffered a significant loss due to the dividend withholding tax fraud ([18]). The so-called "Cum-Ex" and "Cum-Cum" displayed the vulnerability of the German withholding tax system in the context of tax fraud ([19]). Files published first by a team of journalists in 2018 estimated a worldwide loss above EU 150 billion due to fraud on dividend payments between 2000 and 2020. Figures are not verified by the European Commission and should be used with the necessary care. For Germany the revenues lost were estimated at EUR 36 billion ([20]). In Germany, criminal convictions have been issued in cases of Cum-Ex fraud ([21]). However, both legal investigation into the issue and recovery of lost income tax are subject to long proceedings. In 2023, the government's reply to a Parliamentary Question ([22]) stated that about EUR 3 billion had been reclaimed by then, following final court judgement. In 2011 Germany has adjusted its tax law to deter Cum-Ex Schemes and made additional adjustments to deter Cum/Cum-practises in 2016. From the beginning of 2027 Germany introduces a reporting model in accordance with the reporting Standard of the FASTER-Directive to improve tax administration's capability to detect fraud.

2.4. Other Compliance Gaps

Germany does not estimate other compliance gaps. Other areas, including excise, trade, and property taxes, remain unmeasured in formal compliance frameworks, with no public programs or pilot projects underway. This leaves room for potential future expansion of tax compliance monitoring, particularly as digital reporting and administrative reforms advance. While Germany does not currently estimate or publish formal excise tax gaps, the Federal Statistical Office regularly tracks taxed volumes of excise goods like tobacco. These figures show, for example, notable shifts in taxed cigarette volumes, which has been on a declining trend since 2015 but started rising again in 2024 ([23]). While such changes may reflect health trends or pricing, they can also suggest potential compliance gaps, such as increases in untaxed or illicit trade. Other EU countries use consumption surveys or trade data to estimate these gaps. Currently, there are no official gap estimates or planned reforms in this area, but Destatis data could provide a basis for future analysis.

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[18] See https://www.esma.europa.eu/sites/default/files/library/esma70-155-10272_final_report_on_cum_ex_and_other_multiple_withholding_tax_reclaim_schemes.pdf.

[19] These transactions affect sale of shares with ("cum") and without ("ex") entitlement to dividend payment. In "Cum-Ex", a number of investors would circulate shares shortly before dividend payments become due, using short-selling transactions and demanding a refund of the tax on dividends twice after having paid the tax only once on payment of the dividend (EU-Parliament). "Cum-Cum" transactions always involve investors with tax residence abroad. Those would temporarily lend dividend-entitled stocks to a domestic intermediary entitled for reimbursement of dividend tax (University of Mannheim).

[20] https://correctiv.org/en/latest-stories/2021/10/21/cumex-files-2/.

[21] In terms of criminal convictions, at least two decisions of the The Federal Court of Justice of Germany are already final: Bundesgerichtshof bestätigt Verurteilung wegen Steuerhinterziehung im Zusammenhang mit "Cum-Ex-Geschäften", Nr. 225/2024, Beschluss vom 29. Oktober 2024 – 1 StR 58/24; Bundesgerichtshof bestätigt Urteil im bundesweit ersten Cum-Ex-Strafverfahren, Nr. 146/2021, Urteil vom 28. Juli 2021 – 1 StR 519/20.

[22] https://dserver.bundestag.de/btd/21/005/2100548.pdf.

[23] https://www.destatis.de/DE/Presse/Pressemitteilungen/2025/01/PD25_035_73.html.

3. Monitoring of Policy Gaps

3.1. Tax Expenditures

Germany reports tax expenditures (TEs) in its biennial Subsidy Report, which covers both direct subsidies and tax benefits. The latest (30th) subsidy report lists a total volume of total volume of tax expenditures of EUR 18 billion in 2024 at the federal level (0.4% of GDP and 4.9% of federal tax revenue). The volume of tax expenditures remains stable until 2026 in nominal terms and declines slightly in relation to tax revenue ([24]). There are 107 tax expenditures reported, covering most major tax types, including PIT, CIT, VAT, and energy taxes ([25]).

A considerable share of the TE volume is reviewed, often by external research institutes. More than half of all TE provisions, or around 80% by volume, have been reviewed. Reviews are often executed externally, often by research institutes, while only a moderate share is evaluated internally by the Ministry of Finance ([26]). Some specific tax expenditures, like the R&D tax credit ('Forschungszulage'), are subject to mandatory impact evaluations. The German Federal Court of Auditors ('Bundesrechnungshof') also conducts ad hoc audits. For example, it reviewed the administration and effectiveness of the R&D tax incentive in 2021, addressing a lack of targeting ([27]). In April 2025, the Court flagged up to EUR 30 billion in potential savings through better management or reduction of tax concessions, urging stronger transparency and evaluation of tax expenditures ([28]).

Germany provides generous inheritance tax relief, including for the transfer of businesses, resulting in significant tax expenditures. There are various mechanisms which allow a full exemption from inheritance tax, for example for business assets valued at above 26 million euros, if certain requirements are met. The key requirements are to continue business operations and to keep the staff employed for at least 7 years as well as the recipient proving that they lack the necessary liquidity for paying the tax without selling parts of their business. Between 2021 and 2023, 60 cases involving this kind of abatement/waiver were reported, relating to asset transfers totalling EUR 12.7 billion. Inheritance taxes amounting to EUR 4.4 billion were initially assessed on these assets, of which the vast majority (EUR 4.0 billion) were subsequently waived on the basis of the exemption requirement assessment.

[24] Steuereinnahmen - Statistisches Bundesamt.
[25] https://www.bundesfinanzministerium.de/Content/DE/Downloads/Broschueren_Bestellservice/30-subventionsbericht.pdf?__blob=publicationFile&v=3.
[26] FiFo Presentation and Evaluierung von Steuervergünstigungen II (2017 - 2019).
[27] https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2021/steuerliche-forschungszulage-volltext.pdf.
[28] Bericht des Bundesrechnungshofes, April 2025, Einnahmenbasis stärken - für einen handlungsfähigen Staat.

3.2. VAT Policy Gap

In 2023, Germany's VAT policy gap ([29]) was estimated at 46% of the notional ideal revenue ([30]), equivalent to EUR 270 billion ([31]). This was broadly stable compared to 2022 (ca. +0.5 percentage points) and since 2019 the VAT policy gap has remained in the mid-40s. The VAT policy gap in Germany was somewhat lower than the EU average of 51% in 2023. It was the 11th lowest VAT policy gap among EU Member States.

Within this total, the VAT exemption gap ([32]) reached EUR 220 billion in 2023, or 38% of the notional ideal revenue. This is in line with the overall EU-27 estimate. It has remained broadly stable over the past five years.

The national policy-driven VAT exemption gap ([33]) was estimated at 12% in 2023 (EUR 70 billion), slightly above the overall EU-27 estimate of 11%. It saw a small increase compared to 2022 (+1 percentage point) and remained relatively stable compared to 2019 (ca. +0.5 percentage points).

The VAT rate gap ([34]) was estimated at EUR 50 billion in 2023, or around 8% of the notional ideal revenue. This is considerably lower than the EU-27 overall estimate of 12%. It has remained stable compared to 2023 (ca. +0.5 percentage points) but has seen an increase when looking at a longer time horizon since 2019 (ca. +1.5 percentage points). The introduction of a reduced rate (from 19% to 7%) on the supply of natural gas via the network and for district heating between autumn 2022 and spring 2023, combined with the application of zero VAT on solar modules in 2023, is reflected in the increased portion of the VAT rate gap due to utilities, rising somewhat in 2022, then more sharply in 2023.

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[29] The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.
[30] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.
[31] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., *VAT gap in Europe – Report 2025*, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.
[32] The VAT exemption gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of VAT exemptions on selected products.
[33] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations.
[34] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

4. Effectiveness of Tax Collection and Recovery Systems

4.1. VAT Collection

The German Tax Administration performs well overall, though there are some areas where they could further improve VAT administration ([35]). Germany performs generally well when it comes to registration, deregistration and identification of taxpayers. It applies good practices based on risk analysis to ensure the registration database is complete, accurate and up to date. However, VAT registration could be simplified. Foreign firms must register in Germany. If goods or services are traded cross-border, a VAT number must be issued. Online application forms are available in German only, and documentation by the responsible Central Tax Office (BzSt) ([36]) is rather limited.

Germany is relatively fast in changing the status of VAT identification numbers to "invalid" in the national VAT numbers register, where there are significant indicators of VAT fraud, for example following Eurofisc risk signals. This covers numbers used for both domestic and intra-EU transactions. They report doing this in a time span of 15 – 30 days, which is among the faster Member States.

Germany uses a risk register, like most Member States. This is a central repository of identified risks that potentially pose a threat to the continuity of tax administration operations. Germany maintains a register specifically for e-commerce traders given the fraud opportunities that e-commerce creates. In Germany there is in 2025 no indication that the VAT One-Stop Shop (OSS) is being misused.

Germany provides easy access to information and support to help taxpayers comply voluntarily, and obligatory e-Invoicing has been introduced. In 2025, Germany's Growth Opportunities Act entered into force ([37]). It introduced major changes to the VAT law ([38]), including a stepwise introduction of obligatory e-Invoicing (e-Rechnung) for transactions between domestic firms ([39]). Based on the data collected via e-Rechnung, Germany plans to set up a new VAT reporting platform ([40]). Until now firms have only reported the sum of turnovers per accounting period to the tax office. No information about individual transactions is provided. With the new platform, tax authorities will be able to identify suspicious transactions between enterprises more easily, in real time. Firms will send and receive invoices through this specialised platform. Tax-relevant information from the database will be send to tax authorities. However, several obstacles remain before the reporting and registration platform can become fully operational.

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[35] Commission's Ninth Report on VAT registration, collection and control procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89, EUR-Lex - 52022DC0137 - EN - EUR-Lex. / Answers to the survey sent to the Member States in June 2025 in view of the Tenth Report on the same subject matter.

[36] Bundeszentralamt für Steuern. https://www.bzst.de/EN/Businesses/VAT/VAT_ID/Assignment/assignment_node.html.

[37] ‚Wachstumschancengesetz': https://dip.bundestag.de/vorgang/gesetz-zur-st%C3%A4rkung-von-wachstumschancen-investitionen-und-innovation-sowie-steuervereinfachung/303318?rows=25&pos=1.

[38] ‚Umsatzsteuergesetz': https://www.recht.bund.de/bgbl/1/2024/108/VO.

[39] https://www.bundesfinanzministerium.de/Content/DE/Downloads/BMF_Schreiben/Steuerarten/Umsatzsteuer/2024-10-15-einfuehrung-e-rechnung.pdf?__blob=publicationFile&v=1.

[40] https://www.bundesfinanzministerium.de/Monatsberichte/2022/09/Inhalte/Kapitel-3-Analysen/3-4-umsatzsteuerbetrug-elektronisches-meldesystem.html.

Germany automatically monitors the timely filing of VAT returns. The administration uses external data sources, including from third parties, for VAT compliance purposes. It is proactive in reminding taxpayers of filing deadlines and uses specific supporting tools for this.

Germany complements their VAT audit programme with rulings. They make use of the EU tools available, exchange experiences and good practices, and collaborate (e.g. through joint audits) to increase the efficiency of the audit functions. Germany has a rich variety of types of VAT audits including advisory audits, fraud registration, registration checks and record keeping audits. Germany conducts audits in cooperation with other governmental organisations.

Germany does not have a system in place to monitor the impact of changes they have made to their VAT administration in recent years. Germany could introduce a monitoring and/or an evaluation system to analyse the effectiveness of changes implemented in processes and procedures relating to VAT collection.

4.2. Tax Recovery

Germany does not have a common tax recovery strategy / plan, nor does it publish a regular tax recovery activity update. However, according to data from the International Survey on Revenue Administration, Germany is the Member State reporting the second lowest stock of tax arrears in the EU (see below). The German Fiscal Code contains the basic regulations of the taxation procedures, including recovery aspects that apply to all types of tax. Yet the competence of recovery of the following different tax types falls within the competence of different authorities (National, State and Municipality tax administrations).

A federal body for coordination exists, but it faces problems. The Federal Central Tax Office (Bundeszentralamt für Steuer – BZSt) is a German federal authority supervised by the Federal Ministry of Finance (BMF). The BZSt performs central tax tasks with national and international relevance across all Federal States. For example, the authority is responsible for withholding taxes, international administrative cooperation and cross-border recovery. However, the BZSt is facing critics. Press reports ([41]) regularly reveal overburdening and understaffing leading to major bottlenecks in the processing of tax files and enquiries. There are clear indications of excessive delays in dealing with requests from citizens, as set out by the Federal Government itself in its reply to a recent Parliamentary Question ([42]).

The German tax administration has no information on the average time needed to decide at administrative level on contestations of tax claims ([43]). As older tax debts are more difficult to recover, it is important to avoid lengthy contestations that delay tax recovery efforts. The German law does, however, allow the tax administration to take precautionary measures before there is an assessment/title, without a prior court order.

Tax arrears in Germany are the second lowest in the EU and have remained limited in recent years. Risk management is in place. Germany's risk-based tax recovery system may contribute to low

[41] https://www.welt.de/wirtschaft/plus253055970/Bundeszentralamt-fuer-Steuern-An-dieser-Behoerde-verzweifeln-Buerger-und-Konzerne.html.
[42] https://dserver.bundestag.de/btd/20/108/2010898.pdf.
[43] Source: Germany's reply to the Survey for the preparation of EU Article 27 (3) of Directive 2010/24 (Tax Recovery Directive). -.

arrears. The level of outstanding tax arrears for the Germany stood at 3.1% in 2023. Although the percentage increased since 2019, it remains well below the EU average of 30.7%. This is the closing stock of arrears at year end as percentage of total revenue collected. The percentage suggests that the tax administration is capable to collect the taxes owed. Of the closing stock of arrears, Germany considers 90.3% to be collectible in 2023 ([44]). This percentage is nearly the same as in 2021. This data must be interpreted with due care as it is based on information reported by the administrations themselves and is not necessarily comparable across countries.

Germany has a policy to write off tax arrears relating to VAT, income taxes and excises in practice. Tax arrears can be reduced by focusing on on-time payment. Germany provides seamless administrative processes that facilitate tax payment, such as prefilled tax returns (see Section 5.2.1 below). However, there is no information on the proportion of CIT, PIT and VAT payments paid on time. With regards to recovery assistance, Germany has an internal control on the timely and effective execution of assistance requests received from other Member States in the CLO recovery department. More generally, Germany could be more open in sharing information related to tax recovery.

4.3. Use of Directive on Administrative Cooperation (DAC) ([45]) Instruments and Data ([46])

Germany makes regular use of DAC1 ([47]) and DAC2 ([48]) data for assessing taxation on individuals, and companies where relevant. DAC1 (categories of income) ([49]) and DAC2 (financial accounts) data is currently used for risk assessment ([50]) and tax assessments. Data is used in the field of personal income tax or inheritance tax as well as for assessing corporate taxation where relevant. According to the German authorities, the overall evaluation of the outcome of the DAC1 and DAC2 exchanges is more difficult due to the federal organisation of the administration, as the evaluation of the data takes place in the local tax offices of the 16 federal states (Länder).

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[44] Source: ADB, CIAT, IOTA, IMF, OECD, International Survey on Revenue Administration, Indicators: "Closing stock of arrears at year end as percentage of total revenue collected." and "Closing stock of collectable arrears as percentage of closing stock of arrears", http://isoradata.org.

[45] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, as subsequently amended.

[46] Sources: Yearly Assessment 2025; EU-AIAC statistics 2024 – Subject to confidentiality clause on DAC art. 23a.

[47] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC.

[48] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

[49] Income from employment, Director's fees, Pensions, Life insurance products, Immovable properties.

[50] Risk assessment: tax risk assessment is a key element of modern tax administration. It allows tax authorities to identify indicators that suggest specific taxpayers or arrangements may pose an increased risk to their jurisdiction and require further actions in terms of compliance. In general, EU tax authorities use automated methods based on domestic data and information received from other jurisdictions. Yet, a manual element may remain, as (i) tax authorities vary in terms of whether tax risk assessment is conducted centrally by a specialist risk assessment team incorporating input from the compliance function, or locally by the compliance team (or tax inspector); (ii) some data types remain challenging to be automatically processed, e.g. literal summaries.

Data matching rates concerning individuals ([51]) are above the EU average in Germany for DAC1 and DAC2. The average matching rate, measuring success in identifying taxpayers with DAC data in Germany for the year 2024 is 89% for both DAC1 ([52]) and DAC2, higher than the EU averages of 84% and 87% respectively.

Germany uses DAC3 ([53]) (rulings) and DAC4 ([54]) (country-by-country report) data for risk-analysis purposes in the field of corporate income taxation. Germany processes DAC3 data manually and identifies 100% of the taxpayers concerned. The reports are used for general audits, audits limited to specific categories of transactions (e.g. transfer pricing) and tax assessment. DAC4 reports are automatically matched for identifying the relevant taxpayers, with a matching rate of 100%, above the EU average (96%). DAC4 reports are used for economic and statistical analysis, enquiries into the MNE Group's transfer-pricing arrangements, or into other tax matters in the course of a tax audit. Auditors use the reports as part of the audit in a specific tax case for the purposes of high-level transfer pricing risk assessment and to assess other base erosion and profit shifting-related risks.

Germany uses DAC 6 ([55]) data extensively. Germany routinely matches the whole data set available for identifying the relevant taxpayers, leading to a matching rate of 91%. The data is used for risk assessment, including assessing high-level risk of tax-harmfulness of arrangements reported, general audit, or audit limited to specific categories of transactions (e.g. transfer pricing).

Moreover, a dedicated taskforce put in place by Germany identified tax-harmful arrangements that might lead to a policy response. Lawmakers were informed of 42 relevant cases, leading to legislative proposals to neutralise the effects of the arrangements concerned. This should be seen as a good practice, as DAC6 was designed to close the loopholes in legislation where relevant.

Germany makes extensive use of the advanced instruments provided for in DAC to facilitate cooperation on specific cross-border issues, such as simultaneous audits. The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to reduce the tax gap. Looking at the past three years, Germany initiated 31 simultaneous audits. In 2024 it was involved in 34 other cases initiated by other Member States, making it the most active user of these procedures among the Member States.

In conclusion, Germany uses the data obtained from the automatic exchange of information in coherence with the objectives of the DAC. It is particularly advanced in processing and using data related to companies systematically, with a view to identifying critical situations that could affect its tax

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[51] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.

[52] Matching rate for income from employment data, director's fees, pensions and immovable properties DAC1 categories

[53] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

[54] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

[55] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.

base. Germany also makes proactive use of cooperation tools like simultaneous controls. There is, however, room for improvement in the monitoring of the use of DAC1 and DAC2 data concerning taxation on individuals.

5. Digitalisation and Compliance

5.1. Digital Transformation, Skills, and Culture

Germany's tax administration does not yet have a comprehensive federation-wide strategy for digital transformation. Germany is one of the few Member States that has not developed a structured plan for digital skills ([56]). The IMF highlighted Germany's shortcomings in digitalising government services and reducing duplicative reporting requirements in its most recent Article IV report on Germany ([57]). The newly founded Federal Ministry for Digital Transformation and Government Modernisation has acknowledged that it needs to develop such a strategy, announcing its support in setting up corresponding "networking formats" and "guidelines for project and process management" ([58]). The aim will be to modernise existing registers, making it possible for firms and people to provide necessary information only once to the administration (once-only principle).

Several States are investing in the digital transformation. However, efforts are hampered by the lack of a coordinated, comprehensive strategy and process management to harmonise digital solutions. A board of experts established by the Federal Ministry of Finance ([59]) recently urged the government to reduce obstacles to the digital processing of individual tax declarations: competences are currently not concentrated on the level of the Federation; a Federation-wide data infrastructure does not exist; and State-specific ("island") digital solutions are still being brought forward ([60]). One of the Court of Auditor's most pressing recent recommendations to the new German government is to "optimise cooperation of central bodies, prioritising reporting systems ([61]). The use of harmonised coordinated software solutions has been the ultimate goal since the launch of Germany's KONSENS procedure in 2007 (precursory initiatives existed already in the early 1990s ([62])). KONSENS stands for 'coordinated new software-development in tax administration'. It aims at standardizing and bundle tax administration processes across German Länder to improve efficiency and consistency ("concentration without centralization" ([63])). After a series of delays, Germany's Court of Auditors concluded in 2022 that while KONSENS has incurred significant cost, its progress remained slow and it was "not foreseeable when the goal of a unique tax IT system will be achieved, and when todays individual

[56] OECD Inventory of Tax Technology Initiatives.
[57] https://www.imf.org/en/Publications/CR/Issues/2024/07/17/Germany-2024-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-552080.
[58] https://www.digitale-verwaltung.de/Webs/DV/EN/home/home-node.html.
[59] Study from the Expert Commission „Bürgernahe Einkommensteuer" ("Citizen-friendly income tax"), final report for the Federal Ministry of Finance (Bundesfinanzministerium), 30 Nov. 2024.
[60] In May 2025 Germany has established a new Federal Ministry for Digitalisation and State Modernisation.
[61] https://www.bundesrechnungshof.de/SharedDocs/Pressemitteilungen/DE/2025/einnahmen.html?nn=23488.
[62] https://dserver.bundestag.de/btd/16/025/1602583.pdf (see pt. 5 on page 3).
[63] Wehmeier, L.M. (2024). Intergovernmental Relations in Digitalization Policy: German Tax Administration Between Centralization and Decentralization. In: New Perspectives on Intergovernmental Relations. Palgrave Studies in Sub-National Governance. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-031-61790-4_9 (pp. 172 ff).

systems will be replaced" ([64]). Indeed, there is evidence that the replacement of existing systems in local tax offices comes with problems and sometimes faces resistance as it may be perceived as imposed from the federal administrative level ([65]). More recently, in 2025, the Count's criticism has been reiterated, with the Court urging the government to come up with a binding overall plan outlining a schedule for the cross-Länder rollout at least of the core IT processes ([66]). The Court also reckons that the overall cost of KONSENS incurred to Federation and Länder meanwhile amounts to around 2 billion Euro ([67]).

Digital solutions exist, but there is no integrated data repository from which all authorities could draw information. While digital systems for the filing of tax declarations (ELSTER) ([68]) or digital identification exist (eID), the once-only principle is not fully applied across government services ([69]). For example, employers must transmit data about their employees to Social Insurances through a dedicated electronic transmission procedure (*Elektronisches Meldeverfahren*, DEÜV) ([70]), and they must also report (largely the same) data in parallel to the tax offices. There is no integrated platform for data exchange from which either side could draw information to ease taxpayers' overlapping reporting obligations.

5.2 Front-end Digitalisation

5.2.1 Pre-filling

Germany offers pre-filled personal income tax (PIT) returns through its official tax portal, ELSTER **([71]).** Using the "Belegabruf" (data retrieval) service, taxpayers ([72]) and tax advisors ([73]) can import official data, such as wage statements, pension payments, insurance premiums, and investment income, directly into the tax return. This is information already available to the tax office. Data retrieval includes information produced to the tax offices during the last four years. A simplified pre-filled tax declaration via ELSTER is possible ([74]) for retired people with pension income only from domestic sources and capital income below the threshold, who would not have to enter any further information. This service significantly reduces manual entry and the risk of errors.

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[64] https://www.bundesrechnungshof.de/SharedDocs/Kurzmeldungen/DE/nachrichten/augsburger_erkl%C3%A4rung_kurzmeldung.html
[65] Wehmeier, L.M. (2024). p. 177.
[66] Besides ELSTER, core processes also include a new integrated design for tax collection (BIENE) and the basic information service to collect core information about taxpayers such as bank account, name or address (GINSTER). Overall, there are currently 19 different tax-administrative procedures included in KONSENS.
[67] https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2025/einnahmen-volltext.pdf?__blob=publicationFile&v=4 .
[68] https://www.elster.de/eportal/start.
[69] https://www.digitale-verwaltung.de/Webs/DV/EN/home/home-node.html
[70] The underlying law: Datenerfassungs- und Übermittlungsverordnung (Verordnung über die Erfassung und Übermittlung von Daten für die Träger der Sozialversicherung – Regulation on the collection and transmission of data for social insurance).
[71] Elektronische Steuererklärung (electronic tax declaration). https://www.elster.de/eportal/start
[72] https://www.elster.de/elsterweb/infoseite/belegabruf_(privatpersonen)?locale=de_DE
[73] https://www.elster.de/elsterweb/infoseite/belegabruf_(steuerberater)?locale=de_DE
[74] https://www.elster.de/eportal/infoseite/einfachelsterinfo

Further simplification is also being tested locally, with tax administrations running various pilot projects to further simplify the tax declarations. In 2025, the tax administration of Hessen launched another pilot project for the Tax Office of Kassel, where citizens that tend to be late in filing their tax declaration receive a pre-filled tax declaration. If the citizens agree to the pre-filled assessment there is no need for further action, in which case tax administrations issue their final assessment within four weeks.

Germany does not offer pre-filled returns for corporate income tax (CIT) or value-added tax (VAT). Businesses must complete all fields manually via ELSTER, without access to automated or pre-populated data. The absence of pre-filled VAT returns places Germany behind several EU peers such as Italy, Portugal, and Spain, which have implemented pre-filled VAT returns using real-time transaction reporting and digital invoicing systems ([75]).As the EU moves forward with initiatives like VAT in the Digital Age (ViDA), it only strengthens for case for Germany to modernise its digital tax infrastructure to remain aligned with best practices. In that context, experts have raised doubts that Germany's new VAT reporting platform will start on time, which would be necessary for it to happen alongside ViDA (see Section 4.1). According to a recent Eurobarometer survey, 37% of citizens in Germany find it very easy or fairly easy to complete their tax return, placing them 21st among EU Member States ([76]).

5.2.2 E-filing

Germany provides the possibility of e-filing for all tax categories. Germany has made some progress in electronic tax filing, but still lags behind EU countries, especially for personal income tax (PIT). OECD/ISORA data indicate CIT e-filing in Germany was 96.3% in 2023 ([77]). This figure has increased by 4.5 percentage points since 2018 but is slightly below the EU average of 97.1% in 2023.

With regards to e-filing of PIT, Germany was well below the EU average in 2023. Germany reported a rate of 78.8% in 2023, a 10.5 percentage point increase since 2018, but 8.3 percentage points behind the EU average of 87.1% ([78]). A higher rate of e-filing for PIT would typically represent a lower burden of compliance for the taxpayer. In a more recent update according to ELSTER, more than 63 million PIT returns were submitted electronically by 2025, which is nearly four times the number from a decade ago ([79]). In the state of Hesse, for example, the e-filing rate for PIT reached over 84% in 2023, highlighting the wide acceptance and usability of the ELSTER system ([80]).

[75] "Global shift to prefilled VAT/GST returns" – https://www.vatcalc.com/global/global-shift-to-prefilled-vat-gst-returns
[76] European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, https://data.europa.eu/doi/10.2778/6066713.
[77] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB
[78] Ibid.
[79] https://de.statista.com/infografik/9349/anzahl-der-online-steuererklaerungen
[80] https://finanzamt.hessen.de/presse/2024-ueber-84-prozent-der-einkommensteuererklaerungen-digital-eingereicht

VAT e-filing is also below the EU average. At 94.6% in 2023, Germany remains 4.6 percentage points below the EU average of 99.2%. This represents a 3 percentage point increase since 2018 ([81]). Planned reforms under the EU's "VAT in the Digital Age (ViDA)" initiative are expected to help Germany modernise its VAT processes and align more closely with EU best practices.

5.2.3 Provision of other online Services

Germany offers digital solutions but there remains scope to improve digital standards. Germany provides a range of online tax services through ELSTER, including electronic filing, secure taxpayer accounts, digital communication with tax offices, and tools like pre-filled PIT data via the "Belegabruf" service. These services help reduce manual effort and errors for individuals and tax advisors. Taxpayers can also use ELSTER to calculate taxes, download forms, make electronic payments, and manage tax assessments. However, Germany does not yet offer more advanced features found in some EU countries such as real-time tax dashboards. According to a recent Eurobarometer survey, only 36% of citizens in Germany believe that support for filing tax returns provided by the tax administration is either fully adequate or mostly adequate, placing them 23rd among EU Member States ([82]).

Compared to digital leaders like Estonia or Finland, Germany's online services are less integrated, not fully automated and error prone. A series of IT breakdowns have affected German Finance Offices. These increase compliance time and costs, especially for businesses. A prominent example is a repeated malfunctioning of ELSTER for corporate tax declarations (between 2015 and 2018) ([83]). Expanding ELSTER's capabilities, particularly for business taxes, would improve compliance and align with upcoming EU digital initiatives like VAT in the Digital Age (ViDA).

Ongoing technical support offered by the European Commission's Technical Support Instrument aims to support the German Authorities to introduce an electronic transaction-based B2B tax reporting system based on e-invoicing. Reporting will cover both domestic and intra-community transactions following the requirements of the Commission's ViDA package. The ongoing project aims to design the design/accreditation process for e-invoicing platform providers that will be used for transmission of data between businesses and revenue administration.

5.3 Back-end Digitalisation

5.3.1 Use of Artificial Intelligence by the Tax Administrations

Germany is a relatively early adopter of artificial intelligence (AI) in tax administration. Machine learning has been integrated into automated tax assessments since 2016 under its Tax Modernisation Act. AI is primarily used for risk analysis, fraud detection, and audit targeting. One notable tool is X-PIDER, developed by the Federal Central Tax Office, which uses machine learning to scan e-Commerce

[81] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

[82] European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, https://data.europa.eu/doi/10.2778/6066713.

[83] https://www.steuerzahler.de/fileadmin/user_upload/Info-Service/2021/Liste_der_missgl%C3%BCckten_EDV-Projekte___Stand_Februar_2021.pdf.

platforms for undeclared business activity ([84]). While effective, its accuracy has been questioned by Germany's Court of Auditors due to inconclusive results in some cases. Compared to other EU countries, Germany's AI use is well-established, particularly in risk scoring, nudging and data analysis. However, it has not yet implemented AI in areas like natural language processing. Germany has also deployed a virtual conversational assistant (VCA) 'Steuerchatbot' ([85]) to automatically answer taxpayer queries in a range of relevant tax domains for all taxpayers since 2024 ([86]).

Automatic Risk Management Systems (Risikomanagementsystem / RMS) are in place. IT-supported risk management systems support tax offices to select complex cases for more intensive examination. RMS reviews large numbers of tax declarations based on numerous parameters to assess the plausibility of information given by taxpayers. Cases are assigned to three different risk categories – from low risk to extremely complex cases. In low risk cases, the tax return can be prepared automatically.

Although AI is adopted at central level; the implementation of AI is less developed at State level. There is also limited coordination between States. In practice, the actual use of AI-supported procedures in local tax offices is very limited. The Federal State of North-Rhine Westfalia (NRW) has only recently (in May 2025) started a pilot project rolling out AI-processing of tax declarations in four selected local fiscal offices ([87]). NRW is now in the process of building up a new computing infrastructure (Rechenzentrum) for the use of AI in NRW tax offices. In summary, Germany's tax administration uses AI effectively for compliance and enforcement at central level but could improve the implementation and coordination of the use of AI at decentral (State) level.

5.4 Compliance Risk Management

5.4.1 Compliance Risk Management Strategy

Germany's Compliance Risk Management (CRM) lacks systematic coverage. Germany does not currently publish a formal, comprehensive Compliance Risk Management strategy for its entire tax administration ([88]). There is no public document outlining a structured framework for identifying, assessing, and prioritising tax compliance risks. This contrasts with several other EU countries that follow formal cycles of risk detection, profiling, and treatment planning. Germany's current model is more operational and technology-driven but lacks transparency and systematic coverage. The absence of a documented CRM strategy may limit consistency and strategic resource allocation. Introducing a formal CRM framework could enhance efficiency and align Germany more closely with international best practices.

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[84] https://www.bzst.de/DE/Behoerden/Steuerstraftaten/UStBetrugsbekaempfung/ustbetrugsbekaempfung.html
[85] https://steuerchatbot.digital-bw.de/
[86] Germany - AI Country Report - AI Tax Administration.
[87] https://www.finanzverwaltung.nrw.de/uebersicht-rubrik-aktuelles-und-presse/pressemitteilungen/nordrhein-westfalen-setzt-als-erstes.
[88] ISORA Database – tab "CRM Strategy".

5.4.2 Audit Types

Germany's tax administrations conduct a wide range of post-filing audit activities. They include comprehensive field audits, targeted or single-issue audits, risk-based desk reviews, limited scope audits and avoidance and evasion investigations ([89]). In 2023, tax offices carried out around 146,500 audits. While these only covered 1.7% of all businesses, they included 17.8% of large enterprises and resulted in over EUR 13.2 billion in tax adjustments. Most findings related to corporate income and trade taxes ([90]). As mentioned above, Germany also undertakes tax evasion and avoidance investigations, supported by risk-based selection tools and data analytics. Before launching full audits, tax authorities frequently use automated checks, information requests, and voluntary correction options to resolve issues early ([91]). This layered approach enables efficient targeting of non-compliance, particularly among larger or high-risk taxpayers, while reducing the burden on compliant businesses. Further transparency on audit selection criteria could enhance taxpayer certainty.

Audits are risk based; the main criterion for risk detection is the size of the business, but innovative indicators are used too. Large corporations are audited every 4 years on a revolving basis. The smaller the business, the less frequent is an audit. When it comes to detecting risks of potential tax fraud, more innovative solutions are applied. These include statistical methods to detect irregularities in tax records. For example, Chi-Squared test using Benford's Law Evaluations base on the theory that every person has certain favourite numbers that they use consciously or unconsciously when manipulating data (e.g. inventing numbers) ([92]). The procedure would then identify such manipulation ([93]).

5.4.3 Staff Dedicated to Audit, Investigation and Other Verification Functions

The German tax administration dedicates a moderate level of resources to tax audits. In 2023, ISORA data ([94]) sees 33.85% of FTEs were dedicated to audit related functions in Germany (slightly above the 32.2% EU average) ([95]). This figure decreased slightly by 0.7 percentage points in Germany since 2018, indicating a relatively stable focus on audits.

[89] ISORA Database – tab "Post filing enforcement actions".
[90] https://www.bundesrechnungshof.de/SharedDocs/Pressemitteilungen/DE/2025/einnahmen.html?nn=23488
[91] https://www.bundesfinanzministerium.de/Web/DE/Themen/Steuern/Steuerverwaltungu-Steuerrecht/Betriebspruefung/betriebspruefung.html.
[92] In an unbiased experiment, each of ten digits would have a probability of 10% of appearing as people insert numbers in non-decisive data-fields, i.e., when indicating digits of a number where those digits would not have a decisive impact on its value (after the comma, for example). Decisive numbers may differ from that pattern as persons have a natural apathy against or sympathy against certain digits. Chi-Square is a statistical variable used to conclude whether decisive and indecisive digits differ in their distribution.
[93] https://www.wirtschaft-regional.net/unternehmen-maerkte/chi-quadrat-test-und-benfords-law-in-der-betriebspruefung/
[94] ISORA is the product of a cooperation between the Inter-American Centre of Tax Administrations (CIAT), the International Monetary Fund (IMF), the Intra-European Organisation of Tax Administrations (IOTA) and the Organisation for Economic Cooperation and Development (OECD). https://data.rafit.org/?sk=ba91013d-3261-42f8-a931-a829a78cb1ec
[95] Own elaborations based on ISORA data.

According to German official data, more than 12 000 auditors were active during 2023 ([96]). As detailed above, they performed around 146 500 audits. Germany's use of risk-based selection and AI tools suggests that part of its compliance effort is handled through pre-audit screening and digital systems rather than manual audits alone. The absence of publicly available German FTE data limits direct comparison, but the available evidence points to a well-resourced, risk-focused audit approach. Greater transparency in workforce allocation would enhance strategic oversight.

Significant auditing efforts are also made in the context of social security. The German Pension Insurance (Deutsche Rentenversicherung – DRV) has a legal mandate of auditing companies to ensure that those fulfil their reporting obligations, including obligations related to the total social security contribution for their employees. Audits must happen at least every four years for each company. No exact number is published about the number of staff working on these audits, but output indicators hint that the amount of resource devoted to audits is considerable. In 2024, almost 400 000 companies were audited, about 300 000 of those with electronic support (data on earnings being transmitted electronically to audit services). More than 17 million employment relationships were scrutinised during the audits ([97]).

5.4.4 Additional Revenue from Audits as a Share of Total Revenue

Additional tax revenue resulting from audits has declined in recent years. Germany raises about 1.85% of its total net revenues from audits and other verification activities carried out by tax authorities (with the EU average standing at 1.6% in 2023) ([98]). This represents a decrease of 0.49 percentage points since 2018. Official German data similarly indicate that in 2023, tax audits led to EUR 13.2 billion in adjustments, mainly from corporate income and trade tax ([99]). This is around 1.5% of total German tax revenue of around EUR 900 billion in 2023 (in line with the EU27 range of 0.5–2.5%) ([100]). A clearer breakdown of audit-related revenue over time, which some EU Member States publish, would support better performance evaluation. Germany's use of data analytics and targeted audits likely contribute to stable recovery outcomes.

Social security audits generate relatively low extra revenue compared to the efforts made. In 2024, additional revenue from audits of Social Security Contributions amount to about EUR 700 million. This amount appears minimal, relative to the social insurance system's total contribution revenue of about EUR 660 billion (0.1%), or pension insurance contribution revenues of about EUR 300 billion ([101]).

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[96] Monthly Report (Monatsbericht) of the Federal Ministry of Finance, October 2024. https://www.bundesfinanzministerium.de/Monatsberichte/Ausgabe/2024/10/Inhalte/Kapitel-3-Analysen/3-2-steuerliche-betriebspruefung-der-laender-2023.html.

[97] *Geschäftsbericht* 2024, p. 31.

[98] Own elaboration based on ISORA data.

[99] https://www.bundesfinanzministerium.de/Monatsberichte/Ausgabe/2024/10/Inhalte/Kapitel-3-Analysen/3-2-steuerliche-betriebspruefung-der-laender-2023.html

[100] https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/gutachten/jg201415/JG14_08.pdf

[101] Rentenversicherung in Zeitreihen 2024, value for 2023.

5.5 Tax Complexity

Germany ranks 16th out of the 27 Member States in the Tax Complexity Index ('TCI') ([102]), where a higher rank corresponds to lower tax complexity. The TCI is based on the Global MNC Tax Complexity Project, a joint research project of Deborah Schanz (LMU Munich) and Caren Sureth-Sloane (Paderborn University). The TCI 2024 places Germany 11th among the Member States with regards to Tax Framework Complexity, and 24th with regards to Tax Code Complexity. This indicates that, whereas the performance is better in terms of tax processes carried out by the tax authorities (although there is room for improvement in areas such as enactment, according to the authors), multinational corporations face difficulties in dealing with the regulations of the tax code (particularly those relating to combat the shifting of profits to companies, according to the authors).

[102] See: https://www.taxcomplexity.org/ The aim of the Global MNC Tax Complexity Project is to identify the determinants of tax complexity, to develop and maintain an index measuring the level of tax complexity across countries [Tax Complexity Index, TCI] and to examine the effects of tax complexity. The Tax Complexity Index measures the complexity of a country's corporate income tax system as faced by multinational corporations. The closer a country is to the first position of the ranking, the lower level of complexity it exhibits, and vice versa.