GESELLSCHAFT FÜR FREIHEITSRECHTE

NETZWERK STEUERGERECHTIGKEIT

30 JUNE 2025 | SUBMISSION TO THE UN COMMITTEE ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS

PROPOSED TOPICS FOR THE LIST OF ISSUES

7TH PERIODIC REPORT OF GERMANY

CONTENT

I. SUBMITTING ORGANIZATIONS

Netzwerk Steuergerechtigkeit (Tax Justice Network Germany)

The Tax Justice Network Germany brings together trade unions, church and development organizations, social movements, environmental and human rights associations, academic institutions, other civil society organizations, and active individuals (see our members and supporters). Together, we are committed to promoting tax and fiscal policies that serve the common good in various fields.

Gesellschaft für Freiheitsrechte e.V. (Society for Civil Rights)

The Society for Civil Rights is a donor-funded organization that defends fundamental and human rights by legal means. The organization promotes democracy and civil society, protects against disproportionate surveillance and advocates for equal rights and social participation for everyone. To that end, the GFF conducts strategic litigation, lodges constitutional complaints against laws that violate fundamental rights and contributes its legal expertise to social debates.

II. INTRODUCTION

Under the International Covenant on Economic, Social and Cultural Rights (ICESCR), Germany is required to take steps, individually and through international assistance and co-operation, to the maximum of its available resources, with a view to achieving progressively the full realization of economic, social and cultural rights (ESCR) (Article 2(1)). Taxation is a key instrument for mobilizing resources to implement ESCR and to address poverty and socio-economic inequalities. Germany's tax policies must be consistent with their obligations under the ICESCR.

Currently, Germany is not meeting this obligation. Despite being one of the richest countries worldwide, one in five persons in Germany is at risk of poverty or social exclusion. This hinders their fulfillment of ESCR, and renders them particularly vulnerable to the various social crises Germany is facing currently: there is a lack of affordable housing, the education system is at its limits, and inflation is on the rise.

Wealth inequality is especially high in Germany. With a Gini-coefficient of 0,83 for individual net wealth, the top 10% of the population hold approximately 67% of the total wealth, while the top 1% alone own around 35%. In contrast, the poorer half of the population holds just around 2% of net wealth (excluding pension entitlements). Compared to other OECD member states, Germany is above average.

However, Germany is not taking sufficient measures to ensure that those at the top of the income and wealth spectrum are subject to a proportionate and appropriate tax burden. Instead, it tolerates the de facto regressive effects of the inheritance and gift tax (issue 1) as well as of income taxation for ultra-high-net-worth individuals (issue 2), disregards the impact of tax policy on gender equality (issue 3), fails to assess the consequences for marginalized groups (issue 4), and relies heavily on indirect taxation (issue 5).

III. PROPOSED ISSUES

1. REGRESSIVE INHERITANCE AND GIFT TAXES

Articles of the ICESCR: Article 2(1) (maximum available resources), Article 2(2) (non-discrimination), Article 9 (social security), Article 11(1) (adequate living)

Concluding Observation of the Previous Report: n/a

Questions:

- What measures does the German government plan to reduce the regressive effects of the inheritance and gift taxes on large assets?
- How does the German government intend to eliminate the existing tax privileges and extensive loopholes related to corporate assets?
- What steps will be taken to ensure that the inheritance tax fulfills its redistributive function and adequately captures large fortunes?

Explanatory Note:

In its recent statement (E/C.12/2025/1), the Committee emphasized that taxation is a key instrument for mobilizing resources to implement ESCRs (para. 1), and called upon State parties to design and implement tax policies that are effective, adequate, progressive and socially just (para. 4). In previous concluding observations on other State parties, the Committee recommended adopting a more efficient, progressive and socially just fiscal policy by reviewing i.a. the share of inheritance taxes in the state revenue (e.g., E/C.12/ITA/CO/6 para. 20; E/C.12/GBR/CO/7 para. 19(a)). Further, it recommended State parties to ensure that their tax system is socially just and has a broad redistributive effect (E/C.12/ESP/CO/6 para. 16(b); see also E/C.12/COL/CO/6 para. 20).

In its current form, the German inheritance and gift taxes are inefficient and regressive. Extensive tax privileges—particularly those granted for business assets—not only reduce overall revenue, but also undermine the constitutionally anchored principle of taxation according to the taxpayer's ability to pay.

Each year, inheritances and gifts in Germany amount to an estimated €300 to €400 billion, with approximately half of this wealth being transferred to the wealthiest 10% of the population. In 2024, however, revenue from inheritance and gift tax reached only €9.9 billion—representing just about 1% of total tax revenue.

Although statutory tax rates are formally progressive, in practice large wealth transfers are, on average, taxed at significantly lower effective rates than smaller transfers that exceed personal exemptions. This disparity is primarily due to broad exemptions for business assets and the resulting scope for tax planning and avoidance.

Intergenerational transfers of wealth play a central role in the persistence and deepening of long-term wealth inequality. In principle, inheritance taxation has the potential to counteract this trend and reduce wealth concentration. However, in its present design, the German inheritance tax system fails to realize its redistributive potential and does not meet constitutional requirements for equality in taxation.

2. INSUFFICIENT TAXATION OF ULTRA-HIGH-NET-WORTH INDIVIDUALS AND HIGH INEQUALITY

Articles of the ICESCR: Article 2(1) (maximum available resources)

Concluding Observation of the Previous Report: n/a

Questions:

- What measures is the German government planning to take to reduce the regressive effects of the tax system, particularly with regard to high wealth incomes?
- Is the German government considering the introduction of a minimum standard for the effective taxation of ultra-high-net-worth individuals to reduce wealth concentration and restore the progressivity of the tax system?
- What international coordination measures does the German government take to ensure the effective taxation of ultra-wealthy individuals?

Explanatory Note:
The Committee repeatedly called upon State parties to design and implement progressive tax policies (E/C.12/2025/1 paras. 4, 7; see e.g. also E/C.12/RWA/CO/5 para. 16; E/C.12/HND/CO/3 para. 17). Tax policies that do not adequately address high income inequalities hinder the State parties' capacity to fulfil ESCRs

(E/C.12/2025/1 para. 4; see also E/C.12/COL/CO/6 para. 20). Instead, a tax system should serve to reduce high levels of inequality, e.g. by ensuring that persons with a higher income and wealth are subject to a proportionate and appropriate tax burden (E/C.12/2025/1 para. 6).

Progressive taxation is a cornerstone of democratic societies. However, despite nominally progressive income tax rates, income tax systems in many countries—including Germany—are effectively regressive at the top of the wealth distribution. Because individuals with substantial wealth often declare only a small share of their total income as taxable under personal income tax, their effective tax rates on total economic income frequently fall well below the statutory top rate. At the same time, middle-income earners contribute a significantly higher share of their income to the overall tax and social contribution burden.

The absence of adequate taxation at the top end of the income and wealth spectrum deprives the state of substantial revenues and accelerates the concentration of economic gains in the hands of a few. In Germany, the introduction of a minimum tax of 2% on net wealth exceeding €100 million—combined with the ability to credit personal income tax already paid - could help restore the progressivity of taxation for extremely high incomes.

Germany ranks among the most unequal OECD countries in terms of wealth distribution. A targeted wealth-based minimum tax could generate significant fiscal revenues without creating a disproportionate administrative burden. Existing valuation mechanisms and international instruments to combat tax evasion provide a sound basis for effective implementation.

3. GENDER

Articles of the ICESCR: Article 2(1) (maximum available resources), Article 2(2) (non-discrimination), Article 3 (equal rights of men and women)

Concluding Observation of the Previous Report: paras. 38-39

Questions:

- What measures is the German government planning to reduce gender-based wealth inequality, particularly through fairer taxation of large capital incomes?
- What plans exist to improve the data availability on the gender-specific distribution of wealth and capital income?

Explanatory Note:
In its previous concluding observations on Germany, the Committee expressed concern about the remaining high gender pay gap, and recommended Germany to intensify its efforts to close the gender pay gap inter alia by reviewing its tax policies (E/C.12/DEU/CO/6 paras. 38, 39). Other State parties have also been recommended to review their tax policies to achieve gender equality (e.g., E/C.12/CYP/CO/7 para. 26 (a); E/C.12/POL/CO/7 para. 25(a). Besides, in its latest statement, the Committee required State Parties to ensure substantive gender equality (E/C.12/2025/1 paras. 1, 7), and to remove explicit and implicit gender biases in tax policies (E/C.12/2025/1 para. 7). In particular, states are to review the impact of higher tax rates on second earners on gender equality (E/C.12/2025/1 para. 7).

In the debate on gender-equitable tax policy in Germany, public attention often focuses on criticism of the joint taxation system for married couples (*Ehegattensplitting*), which creates disincentives for secondary earners—typically women—to participate fully in the labor market. However, women's economic realities are shaped not only by statistically lower labor incomes, but also by significantly lower levels of wealth ownership and, consequently, lower capital income. At the top of the wealth distribution, assets are particularly unequally distributed in favor of men, with only 29% of such wealth held by women. Women are also less likely to receive large, tax-privileged inheritances and gifts.

As a result, a tax system that is formally gender-neutral in design gives rise to structural disadvantages for women in practice. Regressive taxation of very high capital incomes (refer to issue 2) and large inheritances disproportionately benefits men, as they hold and inherit such wealth more frequently.

Germany could address these disparities by introducing a tax on very large fortunes, thereby reducing tax privileges that disproportionately benefit high-net-worth men. In addition, the broad exemptions for large business assets in inheritance and gift tax could be eliminated. The additional revenues generated through such reforms should be invested—jointly with the federal states—in strengthening public services, from which women in particular stand to benefit.

Germany has so far failed to conduct a systematic analysis of the gender-specific impacts of its tax policy. To monitor and evaluate the impact of such measures more effectively, the availability of data on the gender distribution of wealth and capital income, as well as the gender-differentiated effects of tax policy, should be substantially improved.

4. IMPACT ASSESSMENT OF TAX POLICIES ON MARGINALIZED GROUPS

Articles of the ICESCR: Article 2(1) (maximum available resources), Article 2(2) (non-discrimination), Article 9 (social security), Article 11 (adequate standard of living)

Concluding Observation of the Previous Report: n/a

Questions:

- How does the German government intend to assess the overall distributional impact and the tax burden of tax policies on different income groups, in particular on women and other financially marginalized groups such as migrants who usually do not own inherited assets such as property that had been passed down through several generations?
- Which social stakeholders are involved in the impact assessment?
- Which measures does the German government take to ensure their meaningful and informed participation, as well as inclusivity and transparency throughout the whole process?

Explanatory Note:
The Committee repeatedly emphasized the need to comprehensively assess the impact of existing and proposed tax policies on the realization of ESCRs (E/C.12/2025/1 para. 5; E/C.12/COL/CO/6 para. 20), while also considering the effects of tax policies on the most disadvantaged and marginalized groups (E/C.12/IRL/CO/4 para. 15(a); E/C.12/BRA/CO/3 para. 21, 22(b); E/C.12/HND/CO/3 para. 17(b)). Social stakeholders shall be included in such evaluation (E/C.12/ESP/CO/6 para. 16(a); E/C.12/IRL/CO/4 para. 15(a); E/C.12/HND/CO/3 para. 17(b)).

In Germany, there is no binding obligation to conduct such impact assessment of tax policies on marginalized groups. While there is a minimum standard for a general assessment of a regulation's potential consequences prior to its introduction on the federal level (§ 44 GGO), this obligation is only binding internally and thus non-enforceable. Besides, apart from a commitment to gender-mainstreaming (§ 2 GGO), said assessment under § 44 GGO does not specifically refer to the potential impact on marginalized groups. In the past, effective involvement of affected groups in legislative processes has de facto often been hampered by shortened participation periods (p. 45). This renders participation particularly difficult for marginalized groups with limited resources.

An assessment of *existing* laws is not compulsory. When introducing a new law, the legislation may include a duty to assess the new law's impact in exceptional cases; this, however, is a political decision. There is no systematically embedded impact assessment, not to mention an assessment of the consequences for marginalized groups.

5. STRONG DEPENDENCY ON INDIRECT TAXES

Articles of the ICESCR: Article 2(1) (maximum available resources), Article 2(2) (non-discrimination), Article 11 (adequate standard of living)

Concluding Observation of the Previous Report: n/a

Questions:

- Does the German government intend to lower value-added taxes, and to totally exempt foodstuffs from value-added taxes?
- How does the German government intend to counter discriminatory effects of value-added taxes?

Explanatory Note:
In the past, the Committee repeatedly expressed its concern about the high dependence of State parties' revenues on indirect taxes (e.g., E/C.12/HND/CO/3 para. 16; E/C.12/BRA/CO/3 para. 21) and their adverse effects of the growing social inequality (e.g., E/C.12/ESP/CO/6 para. 15, see also E/C.12/COL/CO/6 para. 19; E/C.12/DOM/CO/4 para. 17; E/C.12/RWA/CO/5 para. 16). It thus recommends that states shift focus to a more direct income taxation approach rather than relying on indirect taxes, such as value-added tax and goods and services tax, which tend to disproportionately affect individuals and families with lower incomes (E/C.12/2025/1 para. 6; on socially just and redistributive tax systems: E/C.12/ESP/CO/6 para. 16(b); E/C.12/COL/CO/6 para. 20).

In Germany, the value-added tax (VAT) revenue (€302.1 billion) constitutes the biggest share in the total state revenue (€947.7 billion). In 2024, the VAT made up almost a third (32%), exceeding the tax revenues generated through income taxes (€248.9 billion, 24% of the total state revenue).

Given its regressive nature, the VAT disproportionately burdens those with less financial resources and thus furthers social inequality. This is especially problematic with regard to goods necessary for subsistence. Though the European Union allowed its member states to impose tax exemptions for inter alia foodstuffs (see Article 98(2) and Annex III of the EU Council Directive 2006/112/EC on the common system of value added tax, amended by Directive (EU) 2022/542), Germany still imposes a VAT of 7%, and for many goods even 19%.

Besides, the internal design of the VAT system has discriminatory effects. In general, § 12 UStG prescribes a VAT of 19% which is lowered to 7% for goods exclusively listed in Annex 2 UStG. While families with children have a higher risk of poverty, and almost half of all single parents in Germany (42.2%) face such a risk, goods necessary for the upbringing of children (e.g., baby food, diapers, etc.) are not included in the annex and thus taxed at 19%.