

Compensation payments made to former forced labourers have always been exempt from income tax (see section 3 number 8 of the Income Tax Act (*Einkommensteuergesetz*)). Such one-off payments constitute compensation that was granted under the Act on the Creation of a Foundation for Remembrance, Responsibility and the Future (*Gesetz zur Errichtung einer Stiftung "Erinnerung, Verantwortung und Zukunft"*) of 2 August 2000. It was possible to submit applications until 31 December 2001 and the corresponding compensation payments were disbursed by 31 December 2006 at the latest.

Irrespective of the one-off compensation payments, recipients of **pensions from the statutory German pension fund** (*Deutsche Rentenversicherung*) have been liable to tax in Germany since 2005. This also applies to people resident abroad insofar as the relevant double taxation agreement gives Germany the right to impose tax. The parties affected (this applies to pensioners living in Germany and pensioners living abroad alike) are required to submit a tax return. This imposition of tax arises from a reorganisation of Germany's system of taxing retirement income which was implemented by the Retirement Income Act (*Alterseinkünftegesetz*) of 5 July 2004.

The pensions paid to **victims of National Socialist persecution** within the meaning of section 1 of the Federal Compensation Act (*Bundesentschädigungsgesetz*) **are exempt from taxation**. Section 3 number 8a of the Income Tax Act exempts affected parties' social security pensions from tax with retroactive effect. **Forced workers who are recognised as victims of persecution within the meaning of section 1 of the Federal Compensation Act** are also covered by this provision on tax exemption.

As a rule, Neubrandenburg Tax Office will cease to ask the affected pensioners to submit a tax return. For some months now, Neubrandenburg Tax Office has been sending out a letter (issued in several languages) expressly informing pensioners abroad about the tax exemption for the victims of persecution. Should, contrary to expectations, the affected pensioners receive correspondence from Neubrandenburg Tax Office in future, they can apply to Neubrandenburg Tax Office for tax exemption by citing their status as victims of persecution. This also applies in cases where correspondence has already been received from Neubrandenburg Tax Office in the past. Eligibility for tax exemption can only be reviewed if the affected pensioner has informed Neubrandenburg Tax Office accordingly. If this is the case, no notice of income tax assessment will be issued.