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Heat transition in the building sector:
§ 35c Einkommensteuergesetz

Concerted Action on the Energy Efficiency Directive
WG 7.3 Increase EE investment through new financing schemes incl. vulnerable consumers (Art. 30)

Thursday, 23 October 2025

Dr. Priska Weller, Federal Energy Efficiency Center, Germany

What are we talking about?

- § 35c **German Income Tax Act** (Einkommensteuergesetz)
  → „tax reduction for energy efficiency measures in buildings used for own residential purposes"

- introduced in 2020

- mirrors the individual measures of the funding for energy efficient buildings (Bundesförderung für effiziente Gebäude - Einzelmaßnahmen, BEG EM)

What‘s the tax reduction‘s legal basis?

- § 35c German Income Tax Act (Einkommensteuergesetz)
  → scope, percentage, procedure

- Regulation (Energetische Sanierungsmaßnahmen-Verordnung, ESanMV)
  → details, technical requirements

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What‘s the tax reduction‘s scope?

- benefits buildings and flats which are **at least 10 years old** and **used by their owners** for their own **residential** purposes

- granted for the following individual measures:
  → insulation of walls, roofs, floors and ceilings
  → replacement of windows, doors, ventilation and heating systems
  → installation of digital systems for energy performance optimization
  → optimization of existing heating systems

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What‘s the tax reduction‘s scope?

- **20 % of the expenses** are deducted from the income tax of the year of refurbishment (7 %, up to 14.000 €) and the following two years (6 % each, up to 12.000 €)

- multiple measures can be carried out at the same time or in subsequent years, but the deduction is **capped at 40.000 €** per house / flat

What‘s the tax reduction‘s procedure?

- certain craftspeople (e. g. master bricklayers) enumerated in the regulation are qualified to implement the eligible individual measures
- adherence to the regulation is attested by the craftsperson in a **certificate** based on the model certificate published by the Federal Ministry of Finance (Fachunternehmerbescheinigung)
- it is not compulsory but possible - and refundable - to involve a specialised **energy adviser** (Energieberater)
- the certificate is filed together with the tax returns of the next three years and **audited by the tax officer** who will grant the tax reduction

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Thank you very much for your attention!

Dr. Priska Weller

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Sources

- German Income Tax Act: § 35c EStG
- Regulation: ESanMV
- circular regarding the certificate: BMF-Schreiben vom 23. Dezember 2024
- circular regarding FAQ: BMF-Schreiben vom 21. August 2025

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