<u>GERMANY</u>

Last reviewed: January 8, 2024

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0-SYNOPTIC TABLE: TAXATION OF RESIDENTS AND NON-RESIDENTS

	RESIDENTS	NON-RESIDENTS
CORPORATE INCOME TAX	15% + 5.5% solidarity surcharge + 14% average tax	15% (limited to German sourced income) + 5.5% solidarity surcharge
TAXES ON CAPITAL GAINS	Taxed as ordinary income	
WITHHOLDING TAX Dividends Interest Royalties	 26.375% + 5.5% 26.375% + 5.5% 15.825% + 5.5%	 25% + 5.5% reducible 25% + 5.5% reducible 15%+5.5% reducible
PERSONAL INCOME TAX	0% - 45% + 5.5% solidarity surtax	0% - 45% only on German income
OTHER TAXES Real estate tax Real estate transfer tax	 Municipal rates (from 80% to 995%) multiplied by rates from 0.26% a 0.55% 5% of the real estate value	
V.A.T.	19%, 7% Exports exempt	
LOSSES Carry-forward Carry-back	 Applied Optional	
DEPRECIATION Fixed assets Intangible assets	 Buildings: from 2% to 3% according to the construction year Goodwill: 15 years	

1- AN OUTLINE OF COMPANY LAW

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
Joint stock company (Aktiengesellschaft - AG)	A joint stock company (AG) is a legal entity with equity capital divided into shares. The profits of an AG are divided in proportion to the share equity. The shares are easily transferable by contract or, if the AG is publicly listed, via a stock exchange. An AG is taxed at 2 levels. Trade tax and corporate tax applies at the level of the AG based on its net earnings. Shareholders are taxed on dividends. Capital gains from the sale of shares are taxed at the level of the individual shareholder.	An AG is established by one or more legal or natural persons who subscribe to the stock of the AG in cash or contributions in kind. The minimum stock capital is €50,000. An AG's by-laws must be notarised. An AG comes into legal existence on entry in the Commercial Register.	An AG has 3 layers of governance. The shareholders' meeting votes for the supervisory board. The supervisory board votes for and controls the management board which makes the daily management decisions of the AG. An AG's shareholders have the right to participate and vote at the shareholders' meeting.
Limited liability company (Gesellschaft mit beschraenkter Haftung -GmbH	A limited liability company (GmbH) is a legal entity whose equity capital is assigned to the shareholders. The minimum share capital is €25,000. A shareholder's liability is limited to its equity in the GmbH. The tax rules for a GmbH are the same as those for an AG.	A GmbH is formed by one or more legal or natural persons making cash or in-kind capital contributions. A GmbH's by-laws must be notarised and comes into legal existence on entry in the Commercial Register.	A GmbH has 2 layers of governance: the shareholders' meeting and the managing director(s). The shareholders' meeting appoints the managing director(s) who manage the operations of the GmbH.
European company Societas europaea (SE)	EU Directive 2001/86/EC requires EU member states to implement harmonised rules to allow for the creation and use of SEs. An SE's minimum share capital is €120,000. An SE may alter its registered seat from one EU member state to another.	An SE can only be established by reorganising other entities, or through the establishment of a holding or subsidiary company. An SE cannot be established by making cash or in-kind capital contributions	In Germany, an SE is treated as an AG for tax purposes, and the rules applicable to an AG apply to an SE
Limited partnership (Kommanditgesell schaft - KG)	A limited partnership (KG) is a partnership with at least one general partner having unlimited liability for the company's obligations and at least one limited partner with limited liability. General and limited partners may be individuals, partnerships or corporations. A KG's partner may elect to be subject to a reduced tax rate on its retained earnings and to tax withdrawals.	A KG is formed when all partners sign a contract. A KG has legal existence from the start of its business. Entry in the Commercial Register has a mere declaratory effect.	
Sole proprietorship (Eingetragener Kaufmann/ Eingetragene Kauffrau - eK)	A sole proprietorship (eK) is the operational form of trade and business activity for an individual. The owner has unlimited liability and is obliged to register their business activity with the Commercial Registry. Income is subject to trade tax and personal income tax in the hands of the owner.		

2- WHEN GERMAN COMPANIES CAN BE CONSIDERED RESIDENT OR NON-RESIDENT?

A company is treated as resident in Germany if it is incorporated, or has its principal place of management, in Germany. A foreign incorporated company may be treated as resident if it is managed in Germany.

3- BUSINESS AND NON-BUSINESS ACTIVITIES (ADMINISTRATIVE OFFICES, LIAISON OFFICES, PURCHAISING OFFICES, ETC…)

A non-resident is not liable to German tax on trading or business profits unless the non-resident is trading or doing business in Germany . A tax liability may arise if the non-resident concludes contracts of sale in Germany, manufactures or performs services in Germany.

The terms of a tax treaty between Germany and the non-resident's home country may specify the non-resident is liable for German tax only if the non-resident has a German branch, a German permanent establishment or a dependent agent in Germany with power to conclude contracts on the non-resident's behalf.

4- WHICH FOREIGN LOCAL UNITS CAN BE OPENED IN GERMANY: SECONDARY ESTABLISHMENTS, BRANCHES, SUBSIDIARIES OR PERMANENT ESTABLISHMENTS?

The terms of a tax treaty between Germany and the non-resident's home country may specify the non-resident is liable for German tax only if the non-resident has a German branch, a German permanent establishment or a dependent agent in Germany with power to conclude contracts on the non-resident's behalf.

5- CALCULATING TAXABLE INCOME

Limitations or general restrictions exist for the following types of business expenses:

- Income or corporate tax, penalties for late filing or late payment, and interest on late payment are not deductible. The same applies to the solidarity surcharge and withholding taxes.
- Trade tax and penalties for late filing, late payment or interest on late payment are not deductible.
- Deduction of bribes is not allowed.
- Penalties and warning charges, and interest payments for evaded taxes cannot be deducted.
- Costs where the payee is not declared to the authorities may not be deducted.
- 50% of the allowances paid to members of the supervisory board, board of directors, management board or any other body responsible for overseeing management may not be deducted.
- The deductibility of interest as business expenses is limited.
- 30% of "reasonable" and specifically documented business entertainment expenses cannot be deducted. There is no deduction for business entertainment expenses which are considered "unreasonable". An expense is unreasonable if it is not acceptable considering the circumstances of the trade.
- The cost of gifts or articles advertising the business cannot be deducted, insofar as the amount exceeds €35 per year per recipient.
- Charitable donations that exceed 20% of taxable income or 0.4% of the sum of annual turnover and amounts spent on wages and salaries during the calendar year are not deductible.

- Expenses for guest houses located outside of the place of business, as well as expenses for hunting, fishing or yachting are not deductible. The same applies to entertainment expenses.
- Business expenses related to countries which are non-cooperative with respect to bilateral information exchange are deductible if extended documentation requirements are fulfilled.

6- TREATMENT OF LOSSES

Capital losses are calculated on the same basis as capital gains and are treated in the same manner as ordinary losses.

A taxpayer that generates a net operating loss in a tax year has the option to carry back up to €1 million (€10 million for losses incurred in the 2020 to 2023 tax years) to the previous 2 tax years to offset against the non-distributed pre-tax income of those previous years or may be carried forward indefinitely.

Losses carried forward remain deductible in the event of a change of ownership

7- IS INTEREST DEDUCTIBLE?

Interest is usually deductible on an accrual basis for German tax purposes. There is no limit on the deduction of interest on loans or other debts to third parties, even when the interest is calculated as profit-related. Interest paid to shareholders or affiliates is deductible on an arm’s length basis.

Interest and other expenses directly related to tax-free profits may not be deducted. 95% of dividends from a German corporation are exempt from German tax if held by corporate shareholders that own at least 10% of the paying corporation’s capital. The remaining 5% of the dividends is non-deductible. Expenses related to such dividends are deductible up to 5%.

A 25% withholding tax (26.375% with solidarity surcharge) applies to: interest income paid by a bank, to interest received from convertible bonds and usage rights, to income from a silent participation or a profit-sharing loan and from investment funds. A 35% withholding tax (36.925% with solidarity surcharge) applies to income received from over-the-counter transactions.

A 15% withholding tax (15.825% with solidarity surcharge) applies to interest received from internet service platforms that buy and sell shares and other financial instruments.

8- IS DEPRECIATION DEDUCTIBILITY ACKNOWLEDGED?

Under German tax law, a taxpayer that purchases or creates fixed assets with a useful life of more than one year is not allowed to deduct the full amount of the acquisition or the manufacturing costs in a single year. The cost of the property must be expensed over the period of its useful life.

Moveable fixed assets must be depreciated using the straight-line method or certain other methods specifically allowed. The declining balance method can be used for assets purchased after 1 January 2020 and before 31 December 2021 or after 1 January 2009 and before 31 December 2010. The declining balance method can also be used for assets purchased or manufactured in 2022. When the declining balance method is used, a limit of 250% of the straight-line rate or 25% of the depreciable base must be observed. It is possible to switch from the declining balance method to the straight-line method (but not vice versa).

The applicable straight-line depreciation rate is 2.5% (buildings completed before 1 January 1925), 2% (buildings completed after 31 December 1924 but before 1 January 2023) or 3% (buildings completed after 31 December 2022). If the useful life of building can be shown to be less than 22, 40 or 50 years, higher depreciation rates may apply.
The declining balance method of depreciation was available, if the building was acquired between 28 February 1989 and 1 January 2006, or if the building permit was filed during that period.
Patent rights (unless self-created), industrial know-how, and dredging and mine works qualify for special rates of depreciation. Goodwill is depreciated over a useful life period of 15 years.

9- WHAT TAX TREATMENT IS APPLIED TO RESIDENT COMPANIES?
The commercial profits of resident and non-resident corporations, whether retained or distributed, are subject to a flat, corporate tax rate of 15%. A solidarity surcharge of 5.5% (used to finance German reunification) of income tax is added to all federal income or corporate taxes.
The following table shows the corporate income tax rates since 2004.

	2004-2007 %	***2008-2023 %***
Corporate income tax	25	15
Solidarity surcharge	5.5	5.5
Total corporate tax rate	26.375	15.825

Income from trade profits is subject to the local municipal trade tax.The following table gives an overview of the current trade tax rates (applicable from 2008 to 2023):

	2008-2023 %
Basic trade tax rate for natural persons and partnerships	3.5
Basic trade tax rate for corporations	3.5
Trade tax deductibility	No
Municipal factor variation	200-600
Average municipal factor	400
Average effective trade tax rate for corporations	14

The following table shows the combined tax rate of trade tax and corporate tax in the years 2008 to 2023:

	2008-2023 %
Average effective trade tax rate for corporations	14
Nominal corporate income tax rate including solidarity surcharge	15.825
Total income tax rate for corporations	29.875

10- ARE GROUP COMPANIES CONSIDERED SINGLE COMPANIES FOR FSCAL PURPOSES?
Group treatment is available in Germany for integrated companies. Losses or profits of resident subsidiaries that are part of a group are attributed to the resident parent.
The parent corporation is liable for its group's corporate and trade tax on profits, minus any relevant losses.

While subsidiaries must be incorporated and have their place of management in Germany, a parent need only have its place of management in Germany.
While the parent may be an individual, a partnership or a corporation, a subsidiary must be a corporation
A subsidiary must be integrated on a financial basis with its parent during the entire financial year. A subsidiary is integrated on a financial basis, if the parent company owns directly or indirectly at least 50% of the voting stock of the pooled subsidiary. Furthermore, a profit and loss transfer agreement between a subsidiary and its parent company must be established for the entire profit or loss. The complete accounting year's profit or loss from a subsidiary must be passed to or taken over by the parent. The duration of the agreement must be at least 5 years. The agreement needs to have the approval of both the parent and the subsidiary's shareholders and must be entered in the Commercial Register for the subsidiary.

11- WHAT TAX TREATMENT IS APPLIED TO FOREIGN LOCAL UNITS AND NON-RESIDENT COMPANIES?
The tax liability of a branch of a non-resident corporation is limited to its German source income and capital gains.
The rate of corporate tax payable by a German branch is 15%. The 5.5% solidarity surcharge on the corporate tax of German companies also applies to a German branch of a foreign company giving an effective total rate of 15.825%. A German branch of a non-resident partnership, if an individual is a partner or the sole proprietor, is taxed at a 25% income tax rate (26.375% including the surcharge). Trade tax on the income is applicable to a German branch.
Interest and royalties paid by a German branch are sourced in Germany. The same withholding tax rules apply as those applicable to domestic companies. If payments are received by an affiliated company or branch located in another EU member state or Switzerland, a claim for an exemption from withholding tax may be made.

12- ARE CAPITAL GAINS TAXED?
Capital gains are taxed under the rules for the taxation of ordinary income.
The disposal of land, maturing stocks/crops on land, buildings and inland vessels, held for a minimum period of 6 years prior to sale, may qualify for a tax deferral of 100%. To qualify, the proceeds must be reinvested in qualifying replacement assets in the year of disposal, or within 4 accounting years (6 in the case of real estate, if construction activities have begun within 4 years).
The replacement asset is not required to have the same function as the asset which has been sold.
Under a special ruling of the Minister of Finance, it is possible for the entire capital gain to be deferred where it arises as a result of a force majeure, an expropriation or a crime. Reinvestment must be in assets which have the same function as the assets lost for this rule to apply.
A German head office that transfers assets to a foreign branch is subject to tax on the deemed capital gain on those assets if the branch’s profits are tax exempt, or the foreign tax on the branch is creditable against German income taxes under an applicable tax treaty between Germany and the country where the branch is situated.
If an asset is transferred to a branch located in another EU country, the tax on the gain may be deferred at the choice of the parent.
Capital gains arising from the sale of shares in a domestic or foreign corporation and accruing to an individual as a sole proprietor or a partner are 40% tax exempt, if the shares are treated as business assets.

Capital gains arising from the disposal of shares in a domestic or foreign corporation, accruing to a corporation, are 95% exempt from corporate tax. The remaining 5% of the capital gains is treated as non-deductible expenses.

13- WHAT TAX TREATMENT IS APPLIED IN CASE OF COMPANY LIQUIDATION?

Where a German corporation is liquidated, a liquidation profit arises for tax purposes, based on the difference between the value of distributions to shareholders and the net worth of the company prior to the liquidation. The profit is taxed in the same way as trade profits

A liquidation of capital is treated as a dividend to the extent that the company has accumulated undistributed profits. Amounts paid in excess of capital and undistributed profits are treated as a tax free return of capital. Capital gains resulting from liquidation are taxed in a similar way to capital gains from a sale of shares.

14- TRANSFER OR REPURCHASE OF SHARES: HOW ARE THEY TAXED?

A capital reduction is treated as a dividend to the extent the company has accumulated undistributed profits.

A German company may repurchase its own shares and may hold a maximum of 10% of its own shares if the shareholders agree to allow share repurchase at the shareholder meeting. A company's repurchase of its shares results in a dividend or capital gain if the purchase price equals the market value of the shares.

15- WHAT OTHER TAXES ARE APPLIED IN GERMANY?

VAT

VAT applies to the supply of goods and services by business entities (including foreign entities) made in Germany.

The standard rate of VAT is 19%.

A reduced rate of 7% is levied on a number of goods and services, including certain agricultural and forestry products, flowers, food, animals reared for consumption, medicines, water, books, newspapers and magazines, graphical products, the transfer and exercise of copyrights, entrance fees for circuses, zoos, museums, theatres and cinemas, performances by artists, beneficial activities, artificial body parts, supplies in connection with swimming pools and hotel accommodation. The reduced rate also applies to food supplied in restaurants and bars from 1 July 2020 to 31 December 2023 and to supplies of natural gas network from 1 October 2022 to 31 March 2024.

VAT is collected at each stage of the process of production or distribution of goods and services. The burden of tax falls on the ultimate consumer.

Real estate tax

Real estate is subject to the annual real estate tax, which is calculated by applying a basic rate (0.26% to 0.55%, depending on the type of property) on the ascertained value of the property and adding the municipal tax (80% to 995%).The assessed value of real estate may be substantially lower than the fair market value.

Real estate tax is a deductible item for corporate, income and trade tax purposes.

Real estate transfer tax

Real estate transfer tax is a one-off tax payable on the purchase of land. It is generally set at 5% of the value of the land concerned, even if each federal state can set its own rate for this tax. The tax is generally levied on any transfer, sale or change of ownership and on the disposal of at least 90% of the shareholdings in a German or foreign corporation or partnership that owns real estate in Germany.

The taxable base is the transfer value such as purchase price, exchange value or any consideration given for the transaction. Where shares are transferred to a single owner, the

taxable base is determined by a special valuation method. The tax value, which is determined by this method, may often be substantially lower than the fair market value. Tax exempt transactions include: transactions between spouses and direct-line relatives and their spouses, transactions to and from a partnership and its partner to the extent of the partner's participation and transfers by inheritance or gift.
Transactions between members of a group of companies are taxable.

Church taxes

Resident individuals who are members of state-approved churches are obliged to pay church taxes. The church tax base is harmonised with modified net income for income tax purposes. Church tax is subject to a surcharge of 8% or 9%.

Inheritance gift tax

Property inherited on death or received through inter vivos gifts is generally subject to inheritance or gift tax. Inheritance and gift tax applies to the total value of the inheritance/gift after allowances (unlimited tax liability) if the testator or heir, or the donor or donee, is resident in Germany. In other cases, inheritance and gift tax applies to the value of assets transferred which are located in Germany (limited tax liability). Non-residents are generally able to make use of the same allowances as residents.

Payroll taxes (social security contributions)

For 2023, the contribution rates are set at 18.7% for pension schemes, 2.6% for unemployment and 3.4% for nursing care. The health insurance rate is 14.6%, of which employers pay 7.3%. Any future increases in the health insurance rate will be paid by the employee only.

Excise duties

Germany imposes excise duties on electricity, energy, alcohol, alcoholic beverages and tobacco. These duties are harmonised with EU regulations.

Motor vehicle tax

If a vehicle is to be used on more than a temporary basis in Germany, it is subject to the German registration procedure and the motor vehicle tax. The amount of tax is calculated on the basis of the certified emission standards for the vehicle.Electrically powered vehicles first registered between 18 May 2011 and 31 December 2020 are exempt from motor vehicle tax for 10 years.

Tax on insurance premiums

The standard tax rate is 19%. However, some risks have a special tax rate. For example, the tax rate is 22% for fire insurance.

Tax on gambling

All types of sports betting and lottery winnings are subject to a withholding tax of 5.3%. A 20% tax is imposed on the price of a lottery ticket.

Bank levy

All credit institutions in Germany with an end-of-year balance above €300 million are subject to an annual levy based on their end-of-year balance with rates from 0,02% to 0,06%.

16- DIVIDENDS, INTEREST AND ROYALTIES: HOW ARE THEY CONSIDERED AND TAXED?

Dividends

Generally, any distribution of profits in whatever form is subject to German withholding tax, except for: repayment of share capital or capital reserves, distributions that qualify as participation dividends, dividends distributed by certain financial and investment institutions, and dividends that qualify under the EU Parent Subsidiary Directive or an applicable tax treaty. The general withholding tax on domestic dividend payments and on payments to non-treaty countries is 25% (26.375% including the solidarity surcharge).
If an individual receives dividends as a sole proprietor or as a partner of a partnership, dividends are 40% tax exempt.

Royalties
There is a 15.825% (15% income tax, surcharge of 5.5% on the 15%) withholding tax on royalties with respect to patents, copyrights, franchising rights, films, know-how and trademarks sourced in Germany. When calculating the withholding tax base, VAT must be included even if the royalty payment has been zero rated under special VAT rules relating to royalties paid to non-residents. If the payments are received by an affiliated company or branch located in another EU member state or Switzerland, a claim for exemption may be made.

Interest
Interest is subject to withholding tax if the lender is a German bank or if certain kinds of loans are involved. The withholding tax rate on interest from capital claims is 26.375% (25% plus 5.5% solidarity surcharge on the 25%) but may be reduced by a tax treaty. All other interest payments to non-resident taxpayers are free of withholding or other taxes. If the payments are received by an affiliated company or branch located in another EU member state or Switzerland, a claim for exemption may be made.

17- HOW ARE CALCULATED STOCKS OR INVENTORIES?

Inventory is valued at the acquisition or manufacturing costs or at the going concern value, whichever is lowest. A taxpayer can value inventory at less than market value if the inventory has decreased in value and the decrease is expected to be permanent.
Last-in first-out (LIFO) valuation is generally allowed if used on the commercial balance sheet

18- HOW ARE RESIDENT INDIVIDUALS TAXED?

Tax liability criteria
To be resident, a person must be domiciled and/or habitually resident in Germany. Under German law, the fact that a person is domiciled in a country implies that his residence in that country is the focus of his activities. In the event that it is not possible to prove the domicile, the habitual residence is taken into account. A person is considered to be domiciled in Germany if he spends more than 6 months there.
Residents have an unrestricted liability to German tax on their worldwide income.

Tax rates
The rates of income tax for a single person for 2022 and 2023 are as follows:

Income band 2023 €	***Marginal tax rate %***
0 – 10,908	0
10,909 – 15,999	14 – 23.97
16,000 – 62,809	23.97 – 42
62,810 – 277,825	42
From 277,826	45

A solidarity surcharge is generally levied on all income and withholding taxes at the rate of 5.5%. However, from 2021, the surcharge only applies for taxpayers whose income is above certain thresholds.

Main deductions and reliefs
Married couples and civil partners can submit a joint tax return as long as they are both German resident and are not living apart.
Generally the income bands for assessing the relevant tax rates, and the allowances for special and extraordinary expenses, are simply doubled for a joint tax assessment.
Family allowances are provided for dependent children, which for 2022 and 2023 amount to:

First and Second child	219 €
Third child	225 €
Fourth and subsequent children	250 €

These amounts are not dependent on income.
The child allowance is given to the taxpayer in the assessment only when this is of more benefit to the taxpayer than the child benefit.
No child benefit/allowance is given for children over 18 years unless the child is undergoing full-time education or vocational training, in which case it may continue until the dependant reaches the age of 25.
An allowance for handicapped children is given irrespective of age.
A taxpayer may deduct up to €10,908 in 2023 in respect of a dependent spouse's vocational training expenses, provided that the spouse's income does not exceed €624.

Inheritance and gift tax

If the beneficiary and donor are both resident in Germany, the tax is applied to all assets at rates ranging from 7% to 50%, based on the degree of kinship.

Pension, social security and national health policy

In Germany, all employees are obliged to pay contributions into the state pension scheme.
The employer is required to pay 50% of an employee's state pension scheme contributions.
In 2023, the contributions are generally calculated as 18.7% of gross salary, up to a maximum salary of €7,300 per month.
Individuals employed in Germany are required to be members of an approved health insurance scheme. There are 2 options, namely the state health insurance organisation or a private scheme.
The private health insurance option is available to individuals earning in excess of €66,600 pa.

19- HOW ARE FOREIGN INDIVIDUALS TAXED? WHEN ARE THEY CONSIDERED RESIDENT?

Tax liability criteria

To be resident, a person must be domiciled and/or habitually resident in Germany. under German law, the fact that a person is domiciled in a country implies that his residence in that country is the focus of his activities. In the event that it is not possible to prove the domicile, the habitual residence is taken into account. A person is considered to be domiciled in Germany if he spends more than 6 months there.
Non-residents are generally subject to German tax only on their German source income.

Tax rates

The German source income of non-residents is either subject to withholding tax or taxable by assessment on the submission of a return. Income that is not subject to withholding tax is aggregated and assessed at the same rates as those applying to residents. However, non-residents are not generally entitled to the personal allowance (Grundfreibetrag), deductions or tax credits that are available to residents.

Main deductions and reliefs

Joint filing for married couples and civil partners is generally not available for non-residents. However, citizens of the member states of the EU or European Economic Area (EEA) (Iceland, Norway and Liechtenstein) are entitled to be treated in a manner similar to German residents, provided the major part of their income is derived from German sources.
Generally the income bands for assessing the relevant tax rates, and the allowances for special and extraordinary expenses, are simply doubled for a joint tax assessment.
Family allowances are provided for dependent children, which for 2022 and 2023 amount to:

First and Second child	219 €
Third child	225 €
Fourth and subsequent children	250 €

These amounts are not dependent on income.
The child allowance is given to the taxpayer in the assessment only when this is of more benefit to the taxpayer than the child benefit.
No child benefit/allowance is given for children over 18 years unless the child is undergoing full-time education or vocational training, in which case it may continue until the dependant reaches the age of 25.
An allowance for handicapped children is given irrespective of age.
A taxpayer may deduct up to €10,908 in 2023 in respect of a dependent spouse's vocational training expenses, provided that the spouse's income does not exceed €624.

Inheritance and gift tax

Where neither the testator/donor/trust nor the legatee/donee/beneficiary is tax resident (as defined above) only the value of the assets transferred which are located in Germany will be liable to taxation.

Pension, social security and national health policy

A non-resident who has obtained a certificate allowing the non-resident to be paid gross will not be required to make payments to the German state pension scheme.
Generally, bilateral agreements provide that persons working temporarily in Germany do not have to make contributions to the German social insurance system, since they will usually maintain payments to the system at home. Health insurance coverage in Germany will generally be provided by the non-resident's domestic insurance firm. The care insurance is generally not available to non-residents.

20- TERMS FOR TAX PAYMENT: THE FISCAL YEAR IN GERMANY

Corporate tax returns must usually be filed by 31 July with respect to the preceding year. Extensions are only permitted where the delay is not due to the fault of the taxpayer.
Advance payments of tax (corporate income tax and trade tax) are due in quarterly instalments as follows:

- corporate and income tax — 10 March, 10 June, 10 September and 10 December
- trade tax — 15 February, 15 May, 15 August and 15 November.

Advance payments are generally based on the tax assessment of the previous year.
Interest on postponed payments may be charged at 0.5% per month. Interest is charged at 1% per month for overdue payments. Taxes overpaid as well as back taxes bear interest of 0.15% per month after a 15-month grace period.
Penalties associated with the late payment of taxes were waived from 19 March 2020 to 30 June 2022 for taxpayers directly affected by the coronavirus (COVID-19) pandemic.

21- WHAT TAX INSPECTIONS ARE MADE?

Taxpayers are required to submit returns to the local federal tax authority and provide any information necessary for the tax assessment.
The local German tax offices assess the relevant taxes on the basis of the taxpayer's returns.
Field tax audits are carried out by the German tax authorities every 3 to 5 years on all medium-sized and large companies (depending on turnover, taxable profit and gross assets). The following characteristics are typical of a field audit involving corporate tax as well as other taxes:

- a full scale audit covers 3 to 5 years

- the duration of the audit may be several days, weeks or even ongoing over several years for large businesses
- the field audit is performed on the premises of the taxpayer
- the investigation is conducted by several tax auditors, including specialists (eg with regard to foreign-related transactions).

There are usually several meetings between the audited taxpayer and the German Revenue Authority ending with a final meeting to arrive at a settlement. A written report of the tax audit is produced with a copy for the taxpayer's comments and it normally contains the basis for a final assessment by the local tax office. Unlike the assessment itself, the written report cannot be appealed against.

22- CAN TAXPAYERS AGREE IN ADVANCE THEIR TAX TREATMENT?

Advance clearances or consents may be obtained by taxpayers for the following transactions:

- the levy of customs duty on the import or export of goods
- taxes on employment income (wage withholding tax)
- future taxation based on certain facts after a field tax audit.

23- WHAT EXCHANGE CONTROLS ARE CARRIED OUT?

A person who physically transports, mails or ships currency or cheques, money orders, promissory notes, shares, debentures, and due interest warrants of more than €10,000 at one time into or out of Germany must make a declaration to the Customs Authority when entering or departing Germany. This requirement brings Germany into line with EU regulations designed to prevent money laundering via the movement of cash. The reporting requirements apply to intra-EU transfers.

The filing of reports is required also for statistical purposes

24- WHAT TAX RELIEFS AND INCENTIVES ARE GRANTED BY THE GERMAN GOVERNMENT?

Advanced depreciation

Production costs for modernisation and repairs of buildings in redevelopment areas or urban renewal areas and production costs for construction work necessary to preserve certified historical monuments are subject to advanced stepped depreciation rates rather the regular depreciation rates for buildings.

Export credit guarantees

German exporters may insure the credit they give their overseas customers with the German Government's Export Department (HERMES). This basic credit insurance policy provides coverage against the main risk of non-payment from insolvency, default or political causes.

Investment encouragement

To encourage investment in developing countries, Germany has entered into tax treaties with a number of such countries under which taxes forgiven to them (ie tax sparing) still qualify for a German foreign tax credit

Assistance for small and medium-sized businesses

Small or medium-sized businesses (i.e. where the equity capital does not exceed €235,000) may apply, along with tax declarations and annual filings, for a deduction in their taxable income for future investments of up to 40% of the future acquisition or manufacturing costs.

The future investment must be made within the following 3 fiscal years. The planned investments must be well documented with regard to function and approximate acquisition or manufacturing costs.

Research and development

An R&D allowance is available for businesses that conduct qualifying R&D activities. The allowance amount is based on the cost of personnel used in R&D multiplied by a factor of 1.2, subject to a maximum base of €4 million. The allowance amount is 25% of the base, resulting in a maximum allowance of €500,000 per year.

25- HAS GERMANY SIGNED BILATERAL TAX AGREEMENTS WITH OTHER COUNTRIES? TABLE OF WITHHOLDING TAXES

Germany has concluded tax treaties with a number of countries which specify the withholding tax rates that apply. Non-treaty withholding tax rates apply when they are lower than the rate specified in the treaty. The non-treaty rates quoted below include the solidarity surcharge. Germany does not generally withhold tax on interest payments made to non-resident entities.
The following rates of German withholding tax apply to non-resident entities:

	Dividends %	*Interest* %	*Royalties* %
Non-treaty countries	0/15.825/26.375	0/26.375	0/15.825
Treaty countries			
Albania	5/15	0	5
Algeria	5/15	0	10
Argentina	15	0	15
Armenia	7/10	0	6
Australia	0/5/15	0	5
Austria	0/5/15	0	0
Azerbaijan	5/15	0	5/10
Bangladesh	15	0	10
Belgium	0/15	0	0
Bielorussia	5/15	0	3/5
Bolivia	10	0	15
Bosnia & Herzegovina	15	0	10
Bulgaria	0/5/15	0	0/5
Canada	5/15	0	0/10
China	5/10/15	0	6/10
Costa Rica	5/15	0	10
Croatia	5/15	0	0
Cyprus	0/5/15	0	0
Czech Republic	0/5/15	0	0/5
Denmark	0/5/15	0	0
Ecuador	15	0	15
Egypt	15	0	15/15.825
Estonia	0/5/15	0	0/5/10
Finland	0/5/15	0	0
France	0/5/15	0	0
Georgia	0/5/10	0	0
Ghana	5/15	0	8
Grecia	0/25	0	0
Hungary	0/5/15	0	0
Iceland	5/15	0	0
India	10	0	10
Indonesia	10/15	0	7.5/10/15
Iran	15/20	0	10

Ireland	0/5/15	0	0
Israel	5/10/15	0	0
Italy	0/15	0	0/5
Ivory Coast	15	0	10
Jamaica	10/15	0	10
Japan	0/5/15	0	0
Kazakhstan	5/15	0	10
Kenya	15	0	15
Korea	5/15	0	2/10
Kosovo	15	0	10
Kuwait	5/15	0	10
Kyrgystan	5/15	0	10
Latvia	0/5/15	0	0/5/10
Liberia	10/15	0	10/15.825
Liechtenstein	0/5/15	0	0
Lithuania	0/5/15	0	0/5/10
Luxembourg	0/5/15	0	0/5
Macedonia	5/15	0	5
Malaysia	5/15	0	7
Malta	0/5/15	0	0
Mauritius	5/15	0	10
Mexico	5/15	0	10
Moldova	15	0	0
Mongolia	5/10	0	10
Montenegro	15	0	10
Morocco	5/15	0	10
Namibia	10/15	0	10
Netherlands	0/5/10/15	0	0
New Zealand	15	0	10
Norway	0/15	0	0
Pakistan	10/15	0	10
Philippines	5/10/15	0	10
Poland	0/5/15	0	0/5
Portugal	0/15	0	0/10
Romania	0/5/15	0	0/3
Russia	5/15	0	0
Serbia	15	0	10
Singapore	5/10/15	0	5
Slovakia	0/5/15	0	0/5
Slovenia	0/5/15	0	0/5
South Africa	7.5/15	0	0
Spain	0/5/15	0	0
Sri Lanka	15	0	10
Sweden	0/19	0	0
Switzerland	0/5/15	0	0
Syria	5/10	0	12
Taiwan	10/15	0	10
Tajikistan	5/15	0	5
Thailand	15/20	0	5/15
Trinidad & Tobago	10/20	0	0/10
Tunisia	5/15	0	10

Turkey	5/15	0	10
Turkmenistan	5/15	0	10
Ukraine	5/10	0	0/5
United Kingdom	5/10/15	0	0
United States	0/5/15	0	0
Uruguay	5/15	0	10
Uzbekistan	5/15	0	3/5
Venezuela	5/15	0	5
Vietnam	5/10/15	0	7.5/10
Zambia	5/15	0	10
Zimbawe	10/20	0	7.5

Germany has signed TIEAs with 23 countries.