

SUMMARISED TAX INFORMATION FOR GERMANY

January 2020

A. Taxation of companies

Tax year: the calendar year (or a deviating accounting year).

Company residence (AG [joint stock company], GmbH [limited company] or KGaA [partnership limited by shares]): Companies with production facilities / their residence or administrative offices based in Germany are subject to taxation in Germany.

1. Corporate income tax

Tax rate 15 %. A surcharge of 5.5 % of the assessed corporate income tax (solidarity surcharge) is levied on the corporate income tax. Dividends from other companies are – in principle – 95 % exempt.

2. Local trade tax

The tax rate is between 7 % and 31.5 % of profit depending on multiplier (tax factor) of the municipally or town / city.

3. Withholding tax on dividends

Withholding tax of 25 % plus solidarity surcharge of 5.5 %, producing a combined rate of withholding of 26.375 %; reduced if a convention for avoidance of double taxation exists; exempted in special cases stipulated by the EU Parent / Subsidiary Directive.

4. Losses of domestic companies

Losses from commercial transactions

- Setting off against profits of current year permitted.
- Loss carry-back: restricted to one year; amount limited to EUR 1 million (not for trade tax).
- Loss carry-forward: no time limit; amount limited to EUR 1 million and also to 60 % of amount of income in the following year which exceeds EUR 1 million.
- Consolidation of tax assessment bases of several companies with residence in Germany: only possible in event of special contracts between parent company subsidiaries (tax group).
- Loss carry-forward will be cancelled if shareholders change within a period of 5 years; pro rate for a change from > 25 % to 50 %, complete for a change > 50 % of shares.

5. VAT

Standard tax rate: 19 %. Reduced tax rate: 7 %.

6. Depreciation

Depreciation of assets acquired since 01/01/2011 is generally linear.

Buildings	Commercially used properties (office buildings and factories): generally 3 %. Other: generally 2 % (At completion after 31.12.1924).
Land	No depreciation
Machines	Generally 8–10 %.
Intangible assets	No depreciation for intangible assets, such as trademarks, copyrights, customer lists, or similar intangible assets, that have not been acquired.
Goodwill	Generally 6.66 %.
Inventory	Fundamentally no depreciation, but depreciation in certain cases at a lower market value.
Motor vehicles	Generally 16.6 %, less for company vehicles (cars etc.).



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7. Capital duty on share issue

None.

8. Transaction taxes

Land and buildings	Real estate transfer tax from 3.5 % to 6.5 % depending on state.
Shares	None.
Intangible assets	None.

B. Taxation of natural persons

1. Unrestricted tax liability

Individuals (natural persons) who reside in Germany or live and work in Germany for more than 183 days have unrestricted tax liability.

2. Restricted tax liability

Individuals who are not resident in Germany or do not live and work in Germany have restricted tax liability if they earn certain types of income in Germany.

3. Income tax

Tax exemption in 2020 of EUR 9,408 [in 2019: EUR 9,168] for singles, EUR 18,816 [in 2019: 18,336] for married. The progressive tax rate starts at 14 % and is 42 % for an income exceeding EUR 57,052. If income reaches EUR 270,501 the tax rate is 45 %. There are tax reductions for married couples and children.

4. Social security contributions

The social security contributions made out approximately 21 % of the employment income in 2019. The amounts are borne roughly 50 % each by employer and employee up following income limits:

- Health insurance: EUR 62,550 [in 2019: EUR 60,750]
- Pension insurance: EUR 82,800 [in 2019: EUR 80,400] in West Germany
EUR 77,400 [in 2019: EUR 73,800] in East Germany

5. Nationality

Nationality is fundamentally not a criterion for tax liability.

C. Taxation of partnerships

1. With the exception of trade tax, **taxation of profits** is at partner level (transparency principle) with income tax (partner = individual) or company tax (partner = legal entity).
2. **Taxable income rules** are comparable to those for companies.
3. **Trade tax** can be set off against income tax of partners.
4. Tax concession for the **retention of profits** is possible.

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