

SUMMARISED TAX INFORMATION FOR GERMANY

March 2025

A. Taxation of companies

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

Registered office of the company (AG, GmbH, KGaA): Companies with production facilities / registered office or place of management in Germany are subject to taxation in Germany.

1. Corporate income tax

Tax rate 15%. A surcharge of 5.5% of the corporation tax to be assessed (solidarity surcharge) is levied on corporation tax. Dividends from other corporations are - in principle - 95% tax-exempt.

2. Municipal trade tax

Tax rate: 7 % to 31.5 % of the profit depending on the assessment rate of the municipality / city.

3. Withholding tax on distributions

Capital gains tax due immediately at a rate of 25% plus solidarity surcharge of 5.5% on the capital gains tax; reduced in the case of existing double taxation agreements and exempt in special cases of the EU Parent-Subsidiary Directive.

4. Losses of domestic companies (losses from commercial transactions)

- Offsetting against profits of the current year is permitted.
- Loss carry-back: limited to two years, amount increased to EUR 10 million (2025, 2026; does not apply to trade tax); provisional loss carry-back from 2025 on request.
- Loss carryforward: unlimited in time. Since 2025 also unlimited in terms of amount up to EUR 10 million and beyond that up to 60% of the amount of income exceeding EUR 10 million in the following year.
- Consolidation of the tax bases of several companies based in Germany: only possible in cases of special agreements between parent company and subsidiary (tax group).
- Losses are forfeited proportionately in the event of a change of shareholders within 5 years for > 25 % to 50 % and completely for > 50 %.

5. Value added tax

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

6. Depreciation and amortization

Assets acquired from January 1, 2011, are generally depreciated on a straight-line basis.

Buildings:	Buildings used for commercial purposes: generally 3 %; other buildings: generally 2 % (if completed after 31.12.1924).
Real estate	No amortization.
Machines:	Up to 25 %.
Intangible assets:	No amortization for internally generated brands, print titles, publishing rights, customer lists or comparable intangible assets.
Goodwill:	Basically 6.66 %.
Inventory:	Generally not amortized, but partial amortization is possible in the event of an expected permanent depreciation is possible.
Vehicles:	Up to 25 %.

7. Capital duty on share issue

None.

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8. Transaction taxes

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

B. Taxation of natural persons

1. Unlimited tax liability

Individuals who have a domicile or habitual residence (more than 183 days) in Germany are subject to unlimited tax liability.

2. Limited tax liability

Individuals without a domicile or habitual residence in Germany are subject to limited tax liability if they earn certain domestic income.

3. Income tax

A basic tax-free allowance of EUR 12,432 [2024: EUR 11,784] applies for single taxpayers in 2025 and EUR 24,864 [2024: EUR 23,568] for married couples. The progressive tax rate starts at 14% and is 42% for income from EUR 69,124. From EUR 281,516, it is 45%.

Tax reductions apply for married couples and children (from 2025, the deductible allowance per child will be up to EUR 8,592). The solidarity surcharge will no longer apply from 2021 for taxpayers with an income tax burden of less than EUR 17,543 / EUR 35,086 (single / joint assessment).

4. Social security contributions

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

- Health insurance: EUR 66,600;
- Pension insurance: EUR 87,600 in West Germany, EUR 83,400 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, **profits** are taxed at shareholder level (transparency principle) with income tax (shareholder = natural person) or corporation tax (shareholder = legal entity). Exemption from the solidarity surcharge since 2021 (insofar as only business income is generated).
2. **Profit determination regulations** are comparable to those of corporations.
3. Creditability of **trade tax** against the shareholders' income tax.
4. **Accumulation preference** as an option.

This brief information is an excerpt from the current tax and social security law (as at January 2025). The information contained herein has been carefully researched; however, no liability can be accepted for the accuracy of the content. This brief tax information cannot replace legal or tax advice. Please do not hesitate to contact us for further information. We will be happy to advise you!