

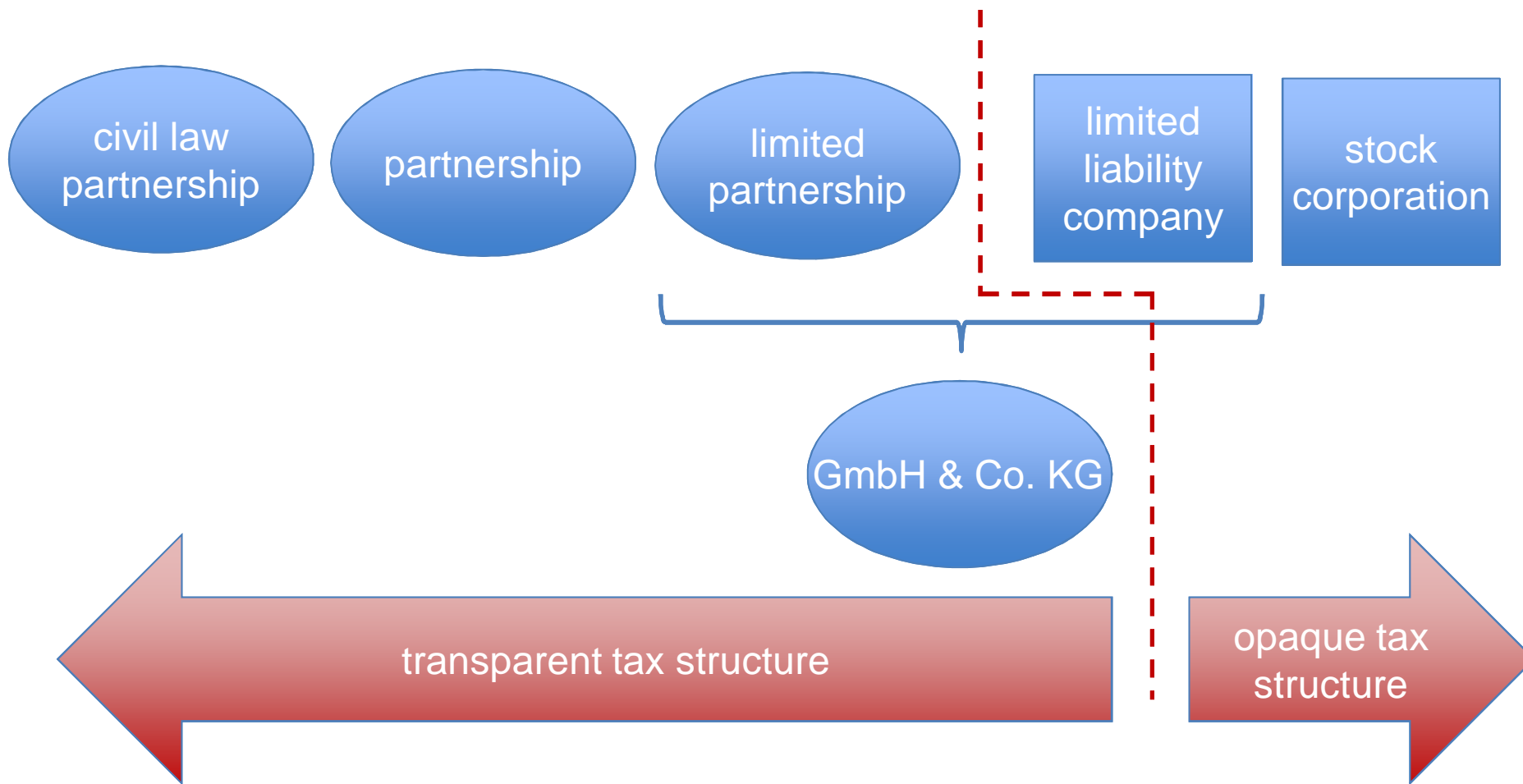


**1<sup>st</sup> Annual DSJUV – Symposium  
“How to do Business in Germany”  
Law Society of Scotland, Edinburgh  
“Which Tax Provisions have the greatest  
impact on German Businesses?”**

**18 March, 2011**

**Dr Detlef Laub**

# Basic tax structure of the main legal forms



# Classic transparent tax structure



General Partner



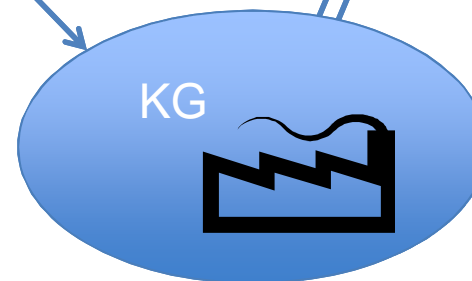
0 % share

Limited Partners



income tax liability

100 % share



trade tax liability

# Classic transparent tax structure

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“Which tax provisions have the greatest impact on German businesses?”

## Trade tax

- payable on the level of the Partnership
- trade tax credit available for individuals but not for corporations
- partially payable on interest and rent or payments under a lease arrangement
- tax rate is dependant on the local rate for the area in which your business is located.

# Classic transparent tax structure

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## Trade tax example

### Hamburg

taxable profit

- + special trade tax additions
  - special trade tax deductions
- 

trade tax basis

- EUR 24,500.00 tax free amount  
(does not apply to corporations)
- 

trade tax earnings x 3.5 %  
x **470 % Hamburg local rate**

### Rellingen

taxable profit

- + special trade tax additions
  - special trade tax deductions
- 

trade tax basis

- EUR 24,500.00 tax free amount  
(does not apply to corporations)
- 

trade tax earnings x 3.5 %  
x **300 % Rellingen local rate**

# Classic transparent tax structure

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Trade tax xample

Given EUR 100,000.00 trade tax earnings

Trade tax due will be

EUR 16,450 in Hamburg

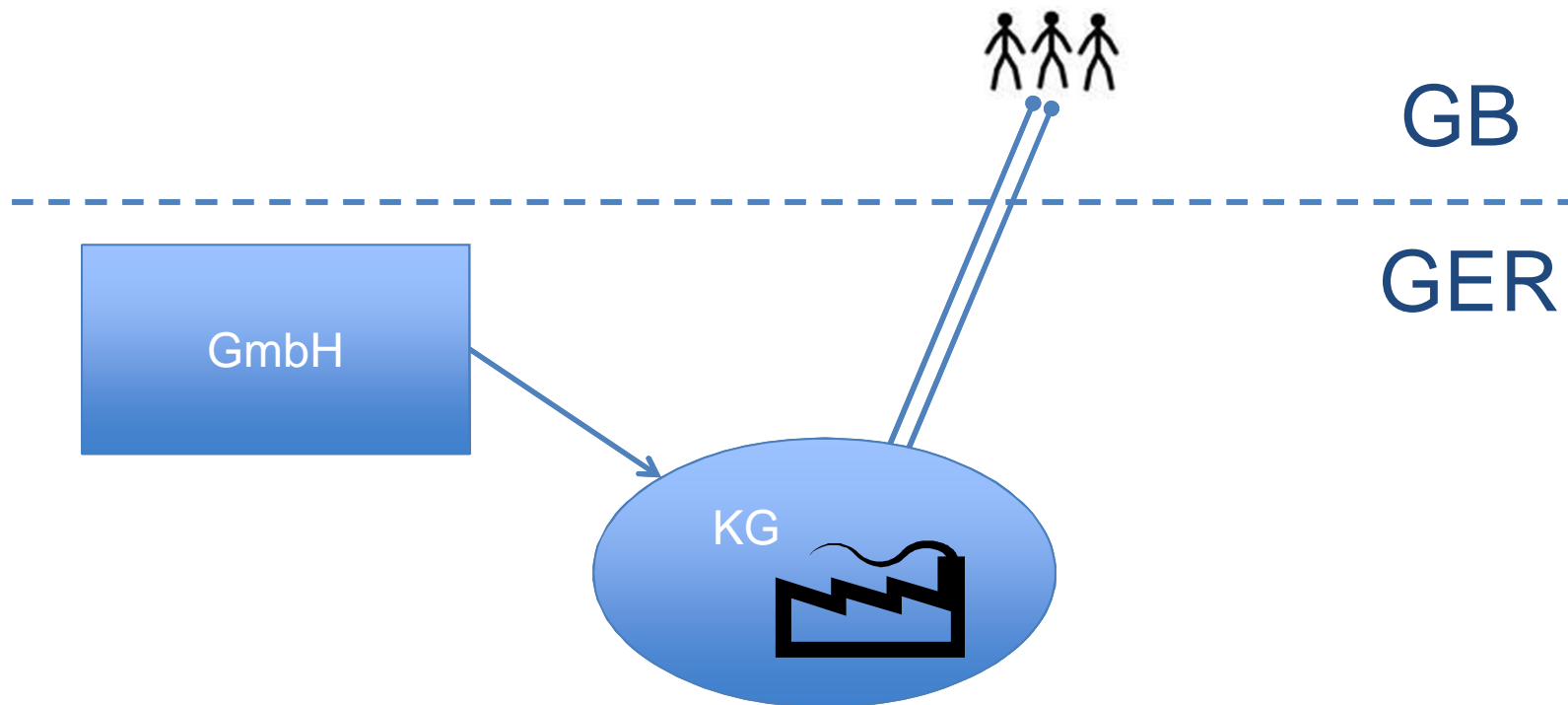
EUR 10,500 in Rellingen

Rellingen is just 12 miles away from Hamburg airport.  
Trade tax savings can amount to **5.95 %** on the tax rate.

# Classic transparent tax structure



## International Taxation



# Classic transparent tax structure

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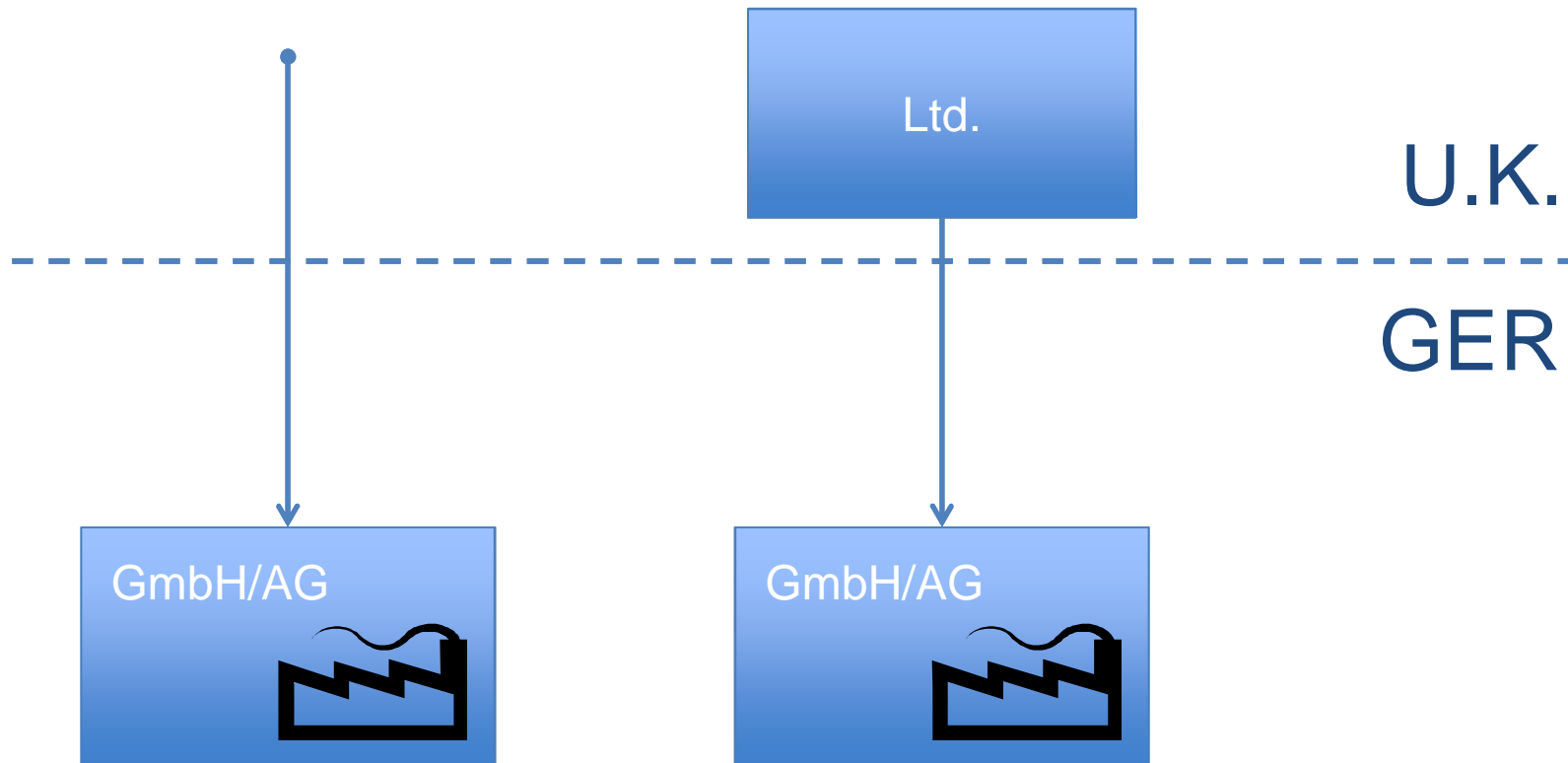
## International taxation

- new tax treaty signed on 30 March, 2010
- came into force on 30 December, 2010
- effective in Germany from 1 January, 2011
- effective in Great Britain and Northern Ireland for the year of assessment beginning on 6 April, 2011 (income tax and capital gains tax) and for the fiscal year beginning on or after 1 April, 2011 (corporate taxation) and for source taxation on 1 January, 2011.
- British individuals who are limited partners in a German partnership may credit the income tax paid in Germany against their British income tax liability.

# Classic transparent tax structure



## International Taxation



# Opaque tax structure

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- corporate tax depends on the level of the corporation
- tax rate is 15 % of taxable income
- group taxation is generally possible
- additionally: trade tax on the level of the corporation
- trade tax rate varies depending according to the area in which the corporation is located.
- on average, the corporate and trade tax rate amounts to just under 30% of taxable income

# Opaque tax structure

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## International Taxation

- 15% withholding tax amount is deductible in Germany
- Any British individual with shares in a German corporation may credit German withholding tax against his income tax liability
- Any British corporation with shares in a German corporation may credit corporate and trade tax paid in Germany against the British corporate tax liability on dividends received.
- no source taxation due to the European 'mother-daughter' directive.

# Other types of taxes

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- Value Added Tax
  - standard European system with 19% tax rate
  - 7% tax rate on special items
  - There is often doubt as to the place of delivery and the place where the service is being rendered
  - A special provision may make certain deliveries or services taxable in Germany, e.g. a service connected with real property or a service provided to a business in Germany

# Other types of taxes

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- Property transfer tax
  - tax rate depends on the community tax rate for the area in which the property is located
  - may also be due when shares in a partnership which has property are being transferred

**Thank you for your attention!**

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