PSP
MÜNCHEN

Doing Business in Germany

November 2020

PSP MÜNCHEN

Contents

Introduction PSP 3
Why doing business in Germany? 4
Choosing a legal entity 5
Taxation in Germany – Starting your business 7
Who is liable to which Tax? 7
Keeping your books inside/outside of Germany 10
Tax rulings and APAs 10
Taxation in Germany – Taxing your business' profit and distributions 11
General aspects 11
Corporate income tax 11
Trade Tax 11
Detailed aspects 12
Capital Gains 12
Losses 12
Taxation of received dividends 12
Deductibility of interest payments 12
R&D incentives 13
A special focus on partnerships 13
Withholding taxes 13
Taxation in Germany – International Aspects and Current Developments 15
Transfer pricing rules 15
German CFC Rules 15
Double Tax Treaties 16
ATAD II and DAC 6 16
Taxation in Germany – Value Added Tax and other relevant Taxes 18
Value Added Tax 18
Other relevant taxes 19
Employees 20
Foreign employees 20

Introduction PSP

On the basis of its successful history spanning for over 40 years, Peters, Schönberger & Partner is one of the most highly regarded mid-sized firms in Germany. PSP is a multidisciplinary consulting firm in which financial experts, tax consultants, auditors and lawyers work together.

Our clients include small and medium-sized firms, family enterprises, wealthy private persons and private equity firms that seek interdisciplinary and customized advice. Since recently, also listed companies ask for our support in specific areas.

You will find that we are a professional, reliable and assertive partner that represents your legal and tax interests with passion and also performs the traditional tasks of auditors. The PSP Family Office also assists you in structuring your wealth and has proven expertise in the fields of succession, foundations and real estate.

With our interdisciplinary consulting approach, we offer a complete, content- and personnel-related range of services. In contrast to anonymous "consulting factories", we as a medium-sized law firm put the long-term satisfaction and trust of our clients first. Our motivation is the permanent cooperation with clients who appreciate a trusting and cooperative partnership. Our consulting philosophy is characterized by a solid understanding of values, professional excellence, many decades of national and international expertise, transparency and independence.

The PSP team currently comprises 26 partners, 14 senior associates and 40 professionals and technical staff, who are represented in all three professional groups (tax advice, audit and legal advice). In total, PSP consists of over 130 employees and is located in the heart of Munich.

We are proud to also have the former Minister of Finance of the state of Bavaria as well as the former head of the tax department of the Bavarian Ministry of Finance engaged with PSP. Besides, PSP has been holding seminars and workshops jointly together with representatives of tax authorities on many occasions and therefore is equipped with long-lasting contacts to the authorities itself.

On an international level, PSP is represented worldwide by ***DFK International*** an organization of independent auditors and tax consultants with over 400 offices in more than 90 countries, as well as by a network of long-term international business partners.
To learn more about PSP please visit: www.psp.eu/eng

Why doing business in Germany?

A strategic location in the geographical heart of Europe, high-class infrastructure, a highly educated workforce, and the world-renowned ingenuity as well as a prospering society, a stable legal system and high productivity are only some reasons for investing in Germany. In the following we will provide you with a selection of a few good reasons to start and grow your business in Germany.

Strategic Location and high-class infrastructure

In the DHL Global Connectedness Index 2018 Germany reached rank no. 10 out of 169 countries, scoring well especially with regard to the breadth of connectedness, which means that its international flows are spread out very globally instead of focussed on a few international contacts. As part of the EU single market, setting up a business in Germany provides broad access to Germany, the EU and beyond.

Highly educated workforce and ingenuity

Germany is world-renowned for its ingenuity and is ranked ninth on WIPO's global innovation index and second in innovation in the World Economic Forum's GCI index for large countries. The GCI report especially notes Germany's innovation capacity, business sophistication as well as high levels of technological readiness. Many important inventions happened in Germany starting with the letter press in medieval times and continuing with inventions in all business areas, e. g. the diesel motor, aspirin, coffee filters, jet engines or the scanner or the mp3-data format. Today German companies in all areas of business are known as technological leaders in their fields. Also ranked fourth in the Human Development Index 2019 by the United Nations Development Programme, Germany has a highly skilled workforce.

Prospering society

In the OECD Better Life index Germany scores high e. g. on "environmental quality, personal security and subjective wellbeing". Only around 15% of population have a disposable income below the poverty line, unemployment has been at a record low. Taken together Germany boosts a prospering and stable society.

Stable legal system and high productivity

As sovereign state and member of the EU Germany is part of a highly sophisticated and robust political and juridical system. Ranked ninth in Transparency Internationals Global

Corruption Perceptions Index high political integrity standards provide a level playing field for all investors. The World Forum's Global Competitive index places Germany as top five most competitive and productive country out of 137 countries.

Choosing a legal entity

There are several ways to operate your business in Germany. Foreign businesses may establish their German operations for example as companies, partnerships or branches of the parent entity. Also the mere representation by one individual in Germany can be an option. Below we discuss the main legal entities used by foreign investors and companies expanding their businesses to Germany.

	Corporation (GmbH, AG, KGaA, SE)	**Partnership (GbR, OHG, KG)**	**Permanent Establishment / (Registered) Branch Office**
Formation			
Formal requirements	Notarized Articles of Association and registration in the Commercial Register required (further requirements for an SE)	(Written) Partnership Agreement (OHG, KG: Registration in the Commercial Register required)	None (Registered Branch Office: Registration in the Commercial Register required)
Number of Partner / Shareholders	At least one shareholder (KGaA: at least two shareholders/partners)	At least two partners	n/a
Minimum capital	GmbH: EUR 25.000 AG and KGaA: EUR 50.000 SE: EUR 120.000	None	None
Management	By appointed managing director(s) or management board (KGaA: General Partner)	By all partners (KG: only by the General Partner)	Management of the head office
Liability	Limited liability (KGaA: General partner is personally liable without limitation)	No liability limitation (KG: the Limited Partner has only limited liability)	No liability limitation (i.e. head offices is personally liable without limitation)
Dissolution (formal requirements)	Application, registration and notification of dissolution required Deletion from the Commercial Register required (possible after restricted year)	Liquidation proceedings to distribute the jointly hold assets (OHG, KG: Deletion from the Commercial Register required)	None (Registered Branch Office: Deletion from the Commercial Register required)

PSP MÜNCHEN

How can we assist you?

In this respect, we can for example provide you with the following services:

- Advise you on the most suitable legal form through which you can expand your business to Germany
- Advice on and assist with the best possible corporate structure to do business in Germany as well as the EU
- Assist with the incorporation/setting-up of your legal form of choice
- Assist with the necessary registrations of your legal form of choice, such as the registrations with the commercial register (Handelsregister), tax authorities etc.
- Drafting of all necessary (intra group) contractual arrangements
- Assist with annual compliance requirements

PSP MÜNCHEN

Taxation in Germany – Starting your business

Who is liable to which Tax?

In general, business income is subject to two taxes in Germany, being trade tax and either corporate income tax for corporations or personal income tax for partnerships/sole proprietors. In addition, Germany has a withholding tax system for, for example, dividends and wages. Both the corporate income tax and the personal income tax as well as withholding taxes are currently increased by means of a solidarity surcharge at a rate of 5.5% of the relevant tax. In addition, value added tax usually plays a significant role.

For non-residents, the German income tax on certain types of German source income is imposed via withholding tax, which may be decreased by a double tax treaty or certain EU Directives. Next to dividends and wages, other examples of income of non-residents that may be subject to German withholding tax are e. g. remunerations for members of a supervisory board, royalties and income from sporting or artistic performances.

	Rate	Corporation[1]	Partnership	Branch of a corporation
Corporate income tax	15%	Yes	No	Yes[2]
Trade tax	7-19%	Yes, always	Yes, under circumstances	Yes, under circumstances
Personal income tax	0-45%	No[3]	Yes (levied at the level of the partners)	No[4]
Solidarity surcharge	5.5% of CIT/PIT	Yes	Yes	Yes
Value added tax	0/7/19%	Yes	Yes	Yes
Dividend withholding tax		Yes	No	No
Interest/Royalty withholding tax		Yes	Yes	Yes
Transaction taxes such as real estate (transfer) tax etc.		Yes	Yes	Yes

1 Corporation with seat or place of effective management in Germany
2 If the head-office is a corporation. In addition, depending on the relevant double tax treaty, Germany may be limited in its right to tax a branch with corporate income tax/personal income tax/trade tax.
3 Personal income tax may apply to distributions to shareholders, at the level of the shareholder.
4 Unless the head-office qualifies as a transparent entity for tax purposes.

PSP MÜNCHEN

Starting your business

Upon starting your businesses, you will need to make sure that your businesses are registered with the competent tax authorities, obtains a tax number and, where applicable, a VAT-ID number. Depending on the chosen legal form, this may require the disclosure of opening balance sheets, corporate documents etc. For branches, a registration may even be necessary if – according to national German tax law – the branch constitutes a so-called permanent establishment, regardless of whether or not such branch also constitutes a permanent establishment according to the relevant double tax treaty in place.

	Preliminary returns	Annual return when filed without tax adviser	Annual return when filed with tax adviser
Corporate income tax	N/A	31 July following the year-end	14 months after end of calendar year
Personal income tax	N/A	31 July following the year-end	14 months after end of calendar year
Trade Tax	N/A	31 July following the year-end	14 months after end of calendar year
VAT	10th day following the end of the month or end of the quarter[5]	31 July following the year-end	14 months after end of calendar year
Wage tax return (employers)	10th day following the end of the month		

[5] Generally, monthly preliminary returns must be filed. However, quarterly return may under circumstances be possible. An extension of filing with 1 month may at request be granted on a continuous basis if an instalment is paid.

Audit requirements

All corporations must complete the financial statements by notes. For medium sized and large corporations, additional requirements apply. For capital market-oriented companies, the application of IFRS is mandatory for the group financial statements.

For limited partnerships with a corporation as unlimited partner, widely the same regulations apply.

The German commercial code defines four size classes for corporations, based on which the audit requirements as shown in the chapter "Choosing your legal entity" are applicable. In order to allocate a company to a particular size class the company must meet two of the three criteria in two successive years.

In principle, each sole proprietor is obligated to keep books, but if the turnover is EUR 600,000 financial year and the profit stays below EUR 60,000 for two consecutive financial years, sole proprietors are exempted from bookkeeping.

	Balance sheet total in Mio EUR	Turnover in Mio EUR	Annual average number of employees
Micro	up to 0.35	up to 0.7	up to 10
Small	up to 6	up to 12	up to 50
Medium size	up to 20	up to 40	up to 250
Large	more than 20	more than 40	more than 250

Keeping your books inside/outside of Germany

Books of the business must in most situations be kept, physically as well as electronically, in Germany. Electronical books may be kept outside of Germany provided this is requested to and granted by the competent German tax authorities upfront and provided certain requirements are met. For partnerships and branches of partnerships, certain exceptions may be applicable.

Tax rulings and APAs

Germany offers the possibility of requesting a binding ruling on the tax consequences of a planned transaction ("Tax Rulings") as well as on the treatment of cross-border transfer prices ("APA").

How can we assist you?

PSP can for example provide you with the following services:

- Registering your businesses for tax purposes
- Prepare and file all necessary tax returns
- Assistance and support with national tax audits as well as cross-border joint audits
- Filing your request for keeping electronical books outside of Germany
- Preparing a process documentation with respect to archiving of electronical invoices and (mobile) scanning of paper invoices/receipts
- Preparing and filing tax office rulings
- Preparing and filing cross-border APAs
- Representing your businesses with regard to all of the above when it comes to discussions or negotiations with or court proceedings against the tax authorities

PSP MÜNCHEN

Taxation in Germany – Taxing your business' profit and distributions

General aspects

Corporate income tax

Corporate income tax in Germany is payable at the rate of 15% of taxable income, regardless of whether the income is distributed or not. The 15% rate also applies to permanent establishments of non-resident companies. In addition, a 5.5% solidarity surcharge is imposed on the corporate income tax assessed.

Trade Tax

For corporations and branches of non-resident corporations, trade tax is levied in addition to corporate income tax at the level of the corporation/branch.

For partnerships and branches of partnerships, trade tax is levied at the level of the partnership/branches, whereas the profit is allocated to the participant and subject to corporate income tax or personal income tax at that level (regardless of whether the profit is actually distributed or allocated).

Trade Tax is imposed by municipalities. Trade tax is generally applicable to all business enterprises, regardless of whether they are set-up as a corporation, permanent establishment or partnership though exceptions may apply for partnerships and certain permanent establishments. Trade tax is based on the business profits as calculated for purposes of corporate or personal income tax. For purposes of calculating the trade tax basis, that taxable income, however, is subject to certain adjustments. The effective rate of trade tax on income depends on the multipliers stipulated individually by the various municipalities. The effective tax rate presently ranges between 7% and 18.73%. Trade tax is assessed next to corporate income tax / personal income tax, whereas a credit for personal income tax purposes may be available.

Certain specified professions, such as physicians, lawyers and architects are yet exempt from trade tax as long as their business is not performed by means of a corporation.

PSP MÜNCHEN

Detailed aspects

Capital Gains

Capital gains received by corporations, except those derived from the sale of shares, do not enjoy preferential tax treatment. Rollover relief, however, is granted if gains derived from disposals of real estate are reinvested in real estate within four years, and if certain other conditions are met.

Capital gains received by **corporations** derived from the sale of shares in German and foreign corporations will be exempt from tax, but 5% of the tax exempt capital gain is treated as a non-deductible expense.

Losses

For corporate income tax purposes (not trade tax), a loss carry back is allowed to the previous year. The maximum loss carry back is EUR 1,000,000. Remaining losses can generally be carried forward without a time limit (corporate income and trade tax). They can be charged against profits in the subsequent year up to a limit of EUR 1,000,000. Profits exceeding this limit can only be shortened by remaining losses by 60%. The maximum carry back has temporarily been raised up to EUR 5,000,000 for 2020 and 2021 year as a Corona Aid measure.

Taxation of received dividends

Under the current tax regime, dividends received by German companies in the legal form of a corporation from German and/or foreign corporations are exempt from corporate income tax if the shareholding in the corporation is at least 10% at the beginning of the calendar year. 5% of the tax exempt dividend income received from (foreign or German) corporations are treated as a non-deductible expense. If the shareholding in the corporation is less than 10% the dividend payment is subject to corporate income tax.

If the shareholding in the distributing corporation is less than 15% at the beginning of the calendar year, the received dividends are fully trade taxable. If the shareholding in the distributing corporation is 15% or more at the beginning of the calendar year, only 5% of the dividend income is trade taxable.

Deductibility of interest payments

As in many other countries, German tax law provides a thin capitalization rule: the so-called "interest barrier rule" with the fiscal aim of limiting the deductibility of extensive interest payments.

Interest payable exceeding interest earned can only be deducted up to 30% of the (tax) EBITDA when the exceeding interest payable is EUR 3,000,000 or higher. If the exceeding interest payable is below EUR 3,000,000, interest is fully deductible. Excess interest payable which could not be deducted according to the rule can be carried forward (comparable to losses). Certain exceptions may be applicable. For corporations, certain additional regulations may apply.

R&D incentives

All taxable persons which are liable to tax with regard to business income in Germany are eligible for an R&D tax credit. The tax credit is given for projects which have been recognized as R&D projects and can lead to a deduction of payable tax of up to EUR 500,000 per business year and unrelated company. If the deduction exceeds payable tax, the exceeding amount will be paid out to the entity. The credit has temporarily been raised up to EUR 1,000,000 per business year as a Corona Aid measure. The tax credit is computed as 25% of wage cost and incidental wage cost of the personnel conducting R&D activities within the projects as well as 15% of expenses for contract research.

A special focus on partnerships

Under the German tax regime, partnerships (general partnerships and limited partnerships) are regarded as being transparent. Therefore, the partners are liable to personal income tax on their individual proportion of the partnership's profit, if such partners are individuals. Personal income tax is levied at a progressive tax rate with a maximum rate of 45%. If the partners are corporations, they are liable to corporate income tax on such profit. Profits remaining in the partnership or in the enterprise of a sole trader (retained profits) will be taxed differently at a lower tax rate (28.25%) on application. In the case of an interest in a partnership, this privilege is only applicable if the respective share of profit exceeds 10% or the profit allocated to this interest exceeds EUR 10,000. The withdrawal of these retained profits will be taxed at a rate of 25%.

Withholding taxes

Germany levies withholding taxes on distributed profits as well as on certain interest, royalty and other payments. Based on the applicable double tax treaty or EU Directive, these withholding taxes may be limited or eliminated.

PSP
MÜNCHEN

How can we assist you?

PSP can for example provide you with the following services:

- Advising you on the application of the German CIT, trade tax and withholding taxes to your business
- Assisting you in complying with the applicable regulations
- Advice and assist you on the application of R&D tax incentives to your business
- Advice you on the application of other tax incentives and or simplifications to your business
- Advice you on restructuring, mergers and acquisitions

Taxation in Germany – International Aspects and Current Developments

Transfer pricing rules

Intercompany charges such as management fees, rentals and royalties charged by a foreign parent to its German subsidiary will be recognized as deductible expenses to the extent that they satisfy the arm's length principle. The German tax authorities release the "administrative principle" to the determination of whether an arm's length transaction has existed. Arm's length prices are predominantly evaluated under the traditional methods (comparable uncontrolled price method, resale price method, or cost plus method). Additionally, profit methods (TNMM or profit split method) could be used if no unrestricted comparable data is available. Inter-company charges which do not meet the arm's length criteria could be treated as hidden profit distribution and are subject to corporate income and trade tax. The determination of transfer prices must be documented carefully and on a regular basis.

As a general rule, it is highly recommended that the parent company enters into a written agreement prior to providing goods or services to its subsidiary. A written documentation on transfer pricing must be available for each business relation to an affiliate foreign person or company. If the documentation cannot be presented in the course of a tax audit, tax authorities are enabled to assess a surcharge of 5% – 10% of the amount of the adjusted income asserted. These rules apply to foreign entrepreneurs who maintain a branch in Germany as well as to a German subsidiary of the foreign investor.

German CFC Rules

Pursuant to German CFC-Rules, certain so-called passive income generated by a CFC is subject to German tax at the level of the German shareholder, if the CFC qualifies as a so-called "intermediate entity" and the direct or indirect German ownership exceeds a certain percentage. A participation of a German shareholder may qualify as a CFC if the following requirements are, cumulatively, fulfilled:

- It is a foreign corporation that neither has its place of effective management nor its registered office in Germany,
- It receives income from so-called passive business activities,
- It is subject to a low taxation on its passive income in the foreign jurisdiction.

Certain exceptions may apply for subsidiaries within the EU/EEA.

Double Tax Treaties

In order to avoid double taxation, Germany holds numerous tax treaties with many foreign countries. In absence of a tax treaty, taxes paid abroad can be credited against German tax liability if the foreign taxes are equivalent to a German tax. Within this tax credit there are two possibilities: offset of the assessed tax or deduction from the tax basis. It is the taxpayer's choice which one to take.

Within the numerous tax treaties between Germany and several foreign countries the right of taxation is usually granted to either the country of source of income or to the country where the recipient resides. In this case the other country has generally no right of taxation concerning this source of income ("Freistellungsverfahren"). In other cases, where double taxation cannot be completely avoided, foreign tax credit is allowed in order to relief the impact of double taxation. In most tax treaties, e. g. capital income, which is usually taxed in the recipient's resident country can also be subject to withholding tax in the country of source. This withholding tax can be credited against the German tax duty as a relief.

Germany has concluded tax treaties concerning taxes on profits and assets with 96 countries. In addition, Germany has concluded tax treaties concerning **inheritance tax** with the following countries:

- Denmark
- France
- Greece
- Sweden
- Switzerland
- United States.

ATAD II and DAC 6

The EU adopted the Anti-Tax Avoidance Directive II (ATAD II) in which it proposed rules addressing hybrid mismatches between EU member states and in relation to third countries. In order to implement ATAD II, Germany is in the course of a legislation process in which especially the treatment of hybrid-structures and CFC-rules will be amended. It is expected that this process will be finalized until the end of the calendar year 2020.

DAC 6 (Directive 2011/16/EU) on mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements) imposes mandatory disclosure requirements for certain arrangements with an EU cross-border element. Where such an arrangement falls within certain "hallmarks", the arrangement should be reported.

PSP

MÜNCHEN

Germany does apply the DAC 6 rules as per 1 July 2020. It needs special mentioning that Germany imposes comparably small fines on non-compliance with this directive, compared to other EU-countries.

How can we assist you?

PSPs international tax experts are happy to assist you with for example the following services:

- Advising you on transfer pricing rules, contractual aspects of those as well as on necessary documentation
- Preparing transfer pricing documentation
- Defending transfer prices in tax audits
- Advising you on CFC-rules
- Advising you on applicability and interpretation of double tax treaties and EU Directives
- Assisting you in Mutual Agreement Procedures about the correct interpretation of a double tax treaty
- Advising you on current international tax developments, such as ATAD II and DAC 6
- Implementing a control-system with which in-house tax and legal teams can monitor the need for DAC 6 disclosure
- Preparing and arranging DAC 6 disclosures.

Taxation in Germany – Value Added Tax and other relevant Taxes

Value Added Tax

The VAT system

Generally, any entrepreneur or company (incorporated or not) is subject to Value Added Tax (VAT). The taxable base is the consideration agreed upon (exclusive VAT) for goods supplied and services rendered. For imported goods the taxable base is the value at importation including customs duties and expenses as far as non-EU countries are concerned. In computing the final tax liability the tax paid on purchases of goods and services rendered may be deducted by the entrepreneur or is refunded by the tax authorities, so that, in effect, only the value added is taxed.

Rates

The whereas standard VAT rate is 19 %; the reduced VAT rate of 7% applies to specific goods (such as for example certain agricultural goods, food, printed products and art objects as listed in the Value Added Tax Act and its Annex 2). For services and supplies that are performed between 1st July and 31 December 2020, the standard VAT rate is reduced to 16 % and the reduced rate to 5 % as a Corona Aid measure.

Special rules

There are special rules that deal with the taxation of transfer of goods and services within the EU. Special rules and allowances also apply to transactions concerning real estate.

Import VAT and import duties

Upon import of a product into the EU, usually import-VAT is levied. It is recommendable to consult your tax advisor upfront in order to optimize your contractual arrangements in such a way, that such import-VAT is actually deductible.

In addition to VAT, an import duty can be levied on the importation of goods into Germany. The duty is paid at the time the goods enter the EU; thereafter the goods can circulate in the EU without further duty.

Quick Fixes

Effective 1 January 2020, the EU Member States are required to implement certain “Quick Fixes” into their VAT system, aiming to improve the day-to-day functioning of the European VAT system for EU cross-border B2B trade. As a consequence, tax payers need to pay special attention to compliance and formal proof requirements as to their international VAT transactions.

Other relevant taxes

In addition to corporate taxes and VAT, other taxes may be relevant for your business such as for example real estate tax, real estate transfer tax or gift tax. Our tax experts will be happy to tell you more about these other relevant taxes.

How can we assist you?

PSPs tax experts (VAT and other taxes) are happy to assist you with for example the following services:

- Advising you on the application of German and European VAT, in national as well as cross-border situations
- Assisting you with finding the best structure for VAT purposes
- Mapping the potential risks and opportunities for VAT purposes
- Connecting you to an adequate foreign VAT counsel for foreign VAT advice, where necessary
- Assist in determining the impact of Brexit on your business
- Help you minimizing VAT risks by optimizing your contractual agreements
- Assist you in discussions with and legal proceedings against the tax authorities.

Employees

Foreign employees

Staff may be assigned between the subsidiary and the parent to work within Germany. Non-EU employees must obtain valid visas and working permits. Most double tax treaties concluded by Germany provide that income from employment earned working abroad is taxable in the state of residence if the employee is present in the other state for not more than 183 days during the calendar year/tax year and further requirements are met (e. g. an employee of a foreign company located in a treaty state who is in Germany for more than 183 days during the calendar year is subject to German income taxation).

Social security

The German social security system provides that a portion of the employee's gross salary must be withheld for: pension insurance, unemployment insurance, health insurance together with supplemental insurance to cover long-term nursing care and workmen's compensation insurance. With the exemption of the workmen's compensation insurance, which is solely borne by the employer, payments are equally shared by the employer and the employee; it is the employer who is ultimately liable for making the social security withdrawal on a monthly basis. The employer's portion is not considered taxable income of the employee. Exemption from German social security may be granted under the EU rules or under the provisions of certain bilateral treaties.

Wage taxes

If an individual is a German resident, then all employment income (whether relating to activities carried out in Germany or abroad) is in principle subject to German income taxation (PAYE). Incentives and fringe benefits received by an employee as a result of employment in Germany are generally taxable in the same way as income from employment and subject to wage taxation at source. Employers are liable for withholding the appropriate tax amount from salary.

Personal income tax

Resident individuals are subject to income tax on their world-wide income unless otherwise provided in a double tax treaty. Wage tax on German wages is levied as a preliminary taxation for the personal income tax.

Personal income tax is levied at progressive rates with a maximum rate of 45%. In addition, a 5.5 % solidarity surcharge is currently still imposed on the income tax assessed.

How can we assist you?

PSPs lawyers and tax experts are happy to assist you with for example the following services:

- Drafting and advising on employment agreements
- Keeping your wage tax and social security administration, filing your wage tax returns and making sure you are registered with the appropriate public instances
- Assisting you with any questions that come up with regard to assignment of foreign employees to Germany or the other way around
- Preparing and filing personal income tax returns, if desired.

PSP MÜNCHEN

Want to know more?

Roland W. Graf
Attorney-at-Law, Tax Adviser
Partner at Peters, Schönberger & Partner in Munich
E-Mail: r.graf@psp.eu

Benedikt Wiedmann, LL.M.
Tax Adviser
Councel at Peters, Schönberger & Partner in Munich
E-Mail: b.wiedmann@psp.eu

Janneke Speetjens, LL.M.
Tax Adviser
Councel at Peters, Schönberger & Partner in Munich
E-Mail: j.speetjens@psp.eu

Dr. Katharina Heusinger
Tax Adviser
Peters, Schönberger & Partner in Munich
E-Mail: k.heusinger@psp.eu