



# Foreign bookkeeping for German tax purposes

Simplifications under the German annual tax act 2020

[03.02.2021]

Von: **Dr. Katharina Heusinger**

*Shortly before the end of the year 2020, the German legislator passed an annual tax act 2020. Among other things, the requirements for bookkeeping within the EU have been simplified, which we outline for you in the following.*

## **In principle: Bookkeeping within Germany**

As a codified principle, the accounts of a German company including all required documents must be kept and posted in Germany. This applies, for example, to all outgoing and incoming invoices of the German entity, account documents, contracts, annual financial statements and pertains also the location of servers on which electronic documents and the accounts are stored.

## **Exception: Bookkeeping abroad**

### **Previously: Exception only upon application!**

For multinational groups, this rule is not feasible due to e. g. central data storage within an ERP system on foreign servers or central bookkeeping departments abroad. However, until now, an exemption required the companies to submit a written application to the fiscal authorities to keep and store accounting records abroad. The application must e. g. include information on the location of the server and confirm that the tax authorities can access to the data without delay (e.g. for a general tax audit or a VAT audit).

### **Now: No application required for bookkeeping within the EU!**

With the annual tax act 2020, an important simplification has now been made at least for companies wishing to keep their accounting records within the EU: Bookkeeping in another EU state is now possible without an application, provided that data access rights are guaranteed in the event of a tax audit.

### **Continued: Application necessary for bookkeeping outside the EU.**

If the bookkeeping shall take place in a non-EU country an application continues to be necessary. This also applies in the case of electronic storage of incoming and outgoing



invoices for VAT purposes outside the EU. In future, however, it shall be possible to submit the application not only in writing, but also electronically, which will hopefully mean that approval to the applications will be granted faster by the fiscal authorities.

### **Summary**

For international companies setting up a permanent establishment or a subsidiary in Germany, keeping and storing books at a foreign central entity was and is a frequent stumbling block, often overlooked and only legally permissible upon written application and approval by the local tax authority. At least for bookkeeping within the EU, the German legislator has now moved away from the application requirement and recognises the economic reality of multinational companies. For companies wishing to keep and store their accounting records in a non-EU country, on the other hand, things remain (almost) as they were.