



GERMANY

Germany - Civil Law (German)

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📞 Consultation

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Incorporating a company in Germany

Germany taxes

If you are willing to do business in Germany, this article will educate you on the tax laws for a LLC (GmbH) which is the most common company type in Germany.

Germany taxes worldwide income of resident companies. This means that usually foreign-source income, from our research, and this is not personal tax advice, is subject to Corporate Income Tax. However, a foreign tax credit is usually available. Corporate tax standard rate in Germany is 15% plus a surcharge and a municipal trade tax from 14% to 17%. Resulting in an effective tax rate between 30% and 33%. This ranks Germany as 159th overall with regards to corporate tax rate worldwide.

The valued added tax rate in DE is 19.00%, which ranks Germany as 127th overall in terms of value added tax rate worldwide. In terms of other taxation, an employer will contribute 19.33% to the equivalent of a social security fund and an employee will contribute 20.83%. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 134hours. Contributing to this is the number of yearly labor tax payments, which is 1 in DE.

Thin capitalisation restrictions are in play. This refers to any sort of laws on a business and the debt-to-asset ratios. Dividends received from resident or foreign companies are considered ordinary income, and therefore subject to CIT. However, under certain minimum shareholding requirements they may be 95% exempted. Dividends are payments of earnings of the legal entity, voted by the board of directors, to shareholders. Dividends can be issued as shares of stock, cash payments, or other property. Capital Gains are included in taxable income. However, those derived from the sale of a subsidiary may be 95% exempted. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 26.38%. This should be interpreted usually that the relevant tax authorities expects to withhold 26.38% of payments offshore on interests. The dividends withholding tax rate is 26.38%. This should be interpreted that usually the relevant tax authorities expects to withhold 26.38% of money remitted abroad on dividend payments. The royalties withholding tax rate is 15.83%. This means that the taxman expects companies to withhold 15.83% of payments on royalties made to non-residents. Withholding taxes may be reduced or exempted under the EU parent-subsidiary/royalties/interests directive or under a tax treaty. There is no known tax on wealth in Germany. There are inheritance, real property and transfer taxes in DE. There are frequently implemented research and development tax relief in Germany.

The above is not tax or legal advice for your particular circumstances. We can refer you to a lawyer in Germany who can give you the proper advice and help you need. Want to work together? Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in Germany is 19% which ranks 127 in the world.

- ✗ **Patent box**
- ✓ **RND credit**
- ✗ **Wealth tax**
- ✓ **Estate tax**
- ✓ **Transfer taxes**
- ✗ **Asset taxes**
- ✗ **Capital duties**

- 115** **Tax treaties**
- 33%** **Offshore Tax**
- 33%** **Corp rate**
- 1** **Loss carryback years**
- 41** **Corporate time**
- 19%** **VAT rate**
- 33%** **Capital gains**

Germany Legalese

For starters, the law in Germany is civil law (german) law. You will want to get some local advice as to how to best structure a company in Germany. One is permitted to electronically sign documents.

The abbreviation DE is for Germany and the most common company type structure in Germany is a LLC (GmbH).

The average time to incorporate is 1 Day to setup a LLC (GmbH) in DE. The types of currencies you can use to setup your legal entity is frequently any legal tender.

Yes, one is allowed to re-domicile a LLC (GmbH) from DE. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least 1 shareholder. This makes it possible for you to own a LLC (GmbH) in DE by yourself. Corporate Shareholders are allowed, meaning you could have a company as a shareholder. Foreign ownership is allowed, up to % of the total equity of the company.

A LLC (GmbH) is only required to have 1 director on the board. Consequently, corporate directors are not permitted. Directors should not expect to be private, as they are disclosed. There is a requirement to have annual meetings of shareholders.

A registered legal firm must be retained for an address, paid by the company on an annual basis, for a professional firm which can receive litigation or other legal process on behalf of the company. However, a company secretary is not required in DE, which can save the company money if you can perform basic corporate governance internally.

There is a requirement to file accounts to relevant authorities. Consequently, there is oftentimes a requirement to have these accounts audited.

Overall we think Germany is a good option and have given it a score of 72 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✗ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✗ **Corporate director permitted**
- ✗ **Local Secretary not required**
- ✓ **Local Director not required**
- ✓ **Electronic signature**

- 1 Shareholders required**
- 1 Directors required**
- 1 Day to form**



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Country Info



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**Bundesrepublik
Deutschland (deu)**

\$ Currency

EUR

☎ Area Code

+49

🏛 Capital

Berlin

✈ Region

Western Europe

🗣 Native Languages

German