

HOW TO GET STARTED IN GERMANY

**LEGAL FRAMEWORK & BUSINESS
OPPORTUNITIES**

TOKYO, 21 NOVEMBER, 2017

Christina Schön & Heiko Staubitz
Investor Consulting GTAI
www.gtai.com



What we do



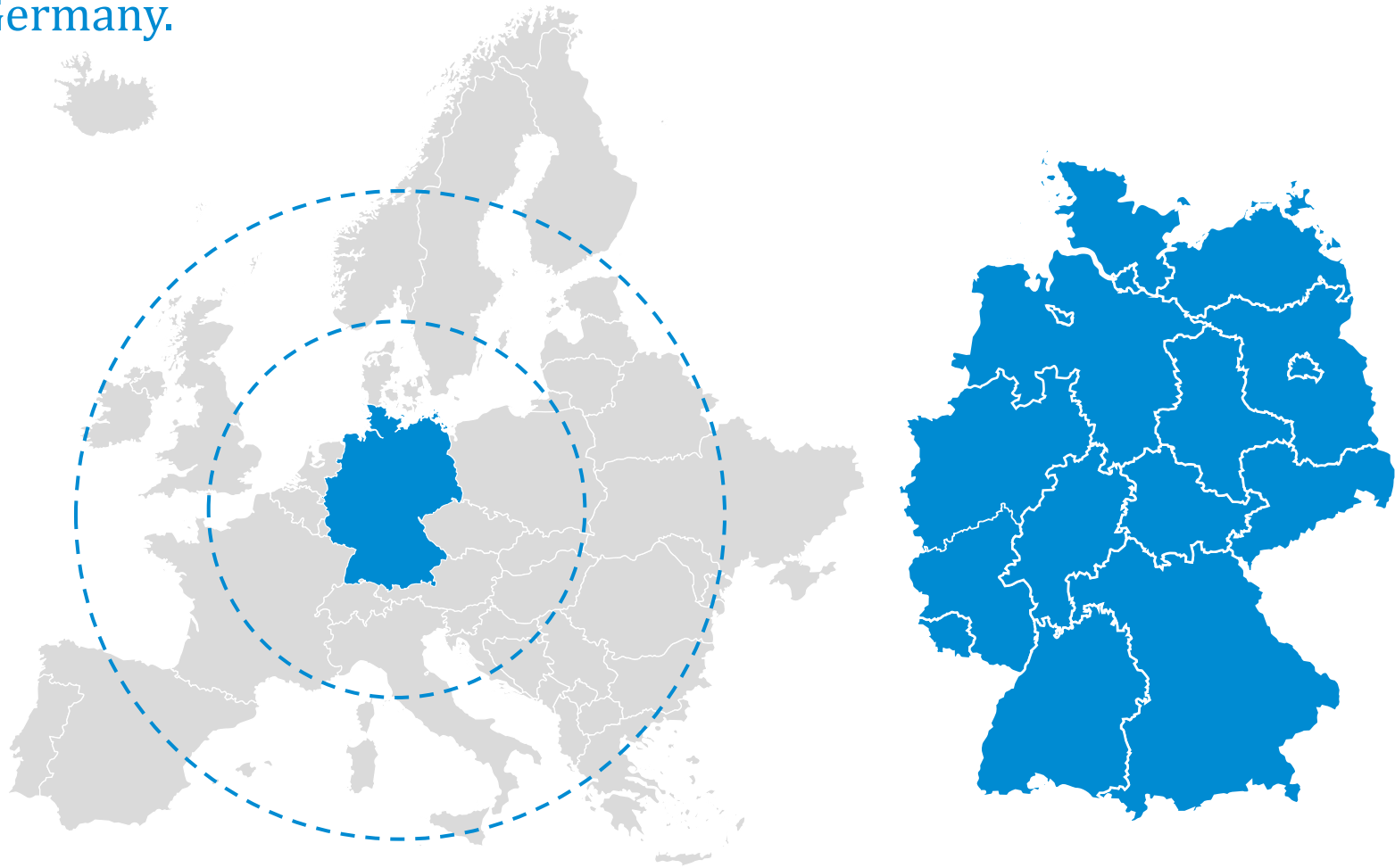
Promote Germany as business and technology location



Provide investment consultancy services for foreign companies

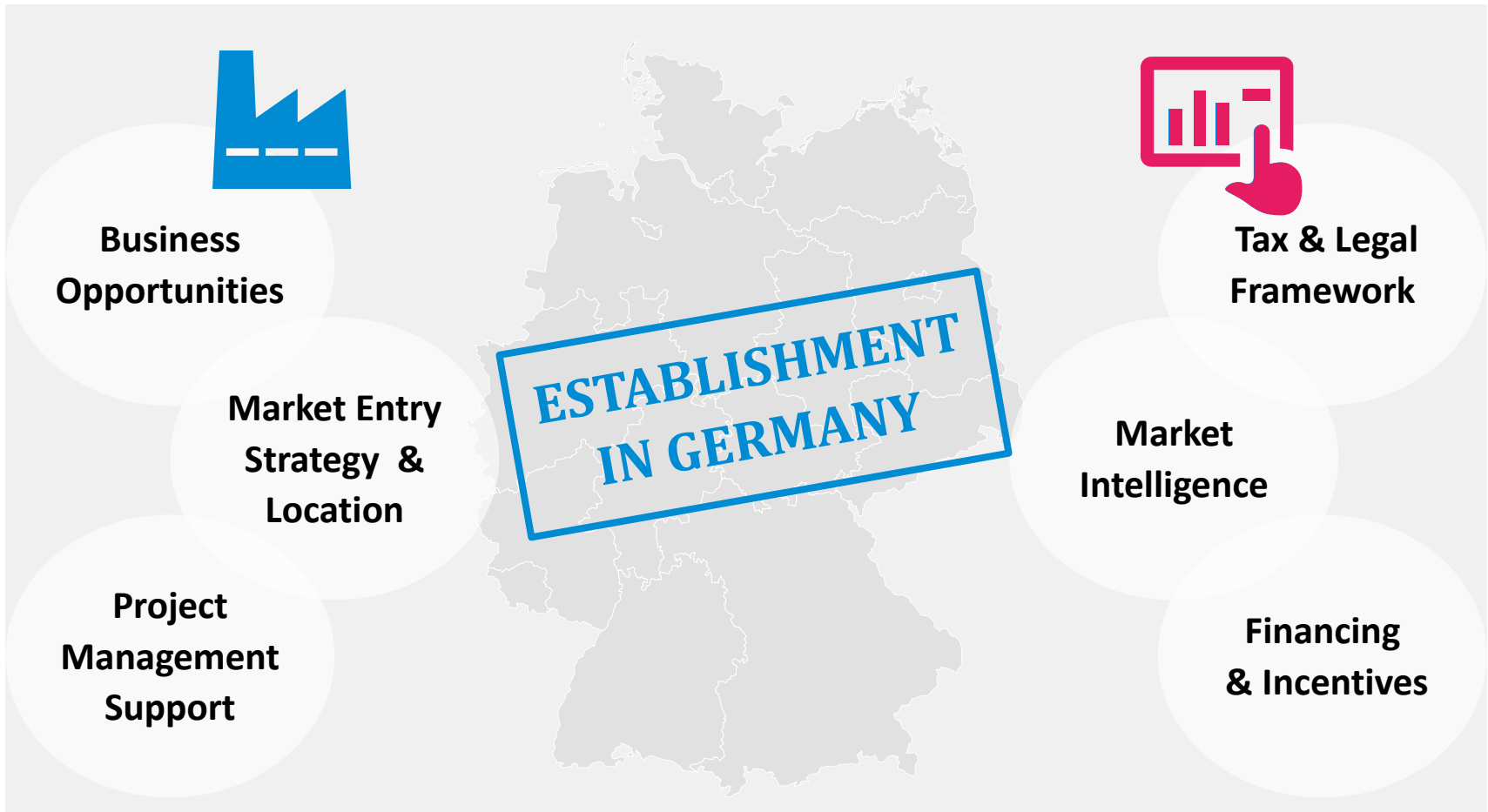
What we do

GTAI supports Japanese companies at every stage on their way to Germany.



What we do

GTAI's free of charge investor consulting services cover both industry and business related topics.



Tax & Legal Framework

Overview- Frequently Asked Questions



INCORPORATION

- Options & Procedure?
- Branch vs. Subsidiary?



CORPORATE TAXATION

- Locally varying tax rates?
- New DTA Japan – Germany?



EMPLOYMENT

- Flexible employment models?
- Workforce & employment conditions?

Photo: istockphoto/ shironosov

Incorporation

A German market presence can be established in different ways.

JAPANESE COMPANY

BRANCH OFFICE

- Registration of German branch sufficient
- No new legal entity necessary

SUBSIDIARY

- Establishment of a new legal entity
- Various legal forms available (e.g. GmbH)

GERMAN MARKET PRESENCE

Incorporation

In practice most foreign companies chose a subsidiary structure for their German market presence.

GERMAN MARKET PRESENCE

BRANCH OFFICE



No share capital required
(financing still needed!)



Head office company liable
Mix of legal systems

SUBSIDIARY (GmbH)



Statutory min. share capital
25 K EUR



Separate limited liability
Reknown company form

Corporate Taxation

Any profitable permanent establishment in Germany is subject to corporate income taxation.

Corporate Income Tax
+ Solidarity Surcharge

15.83 %

Local Trade Tax

- 7% (min)
- 14 % (Ø)

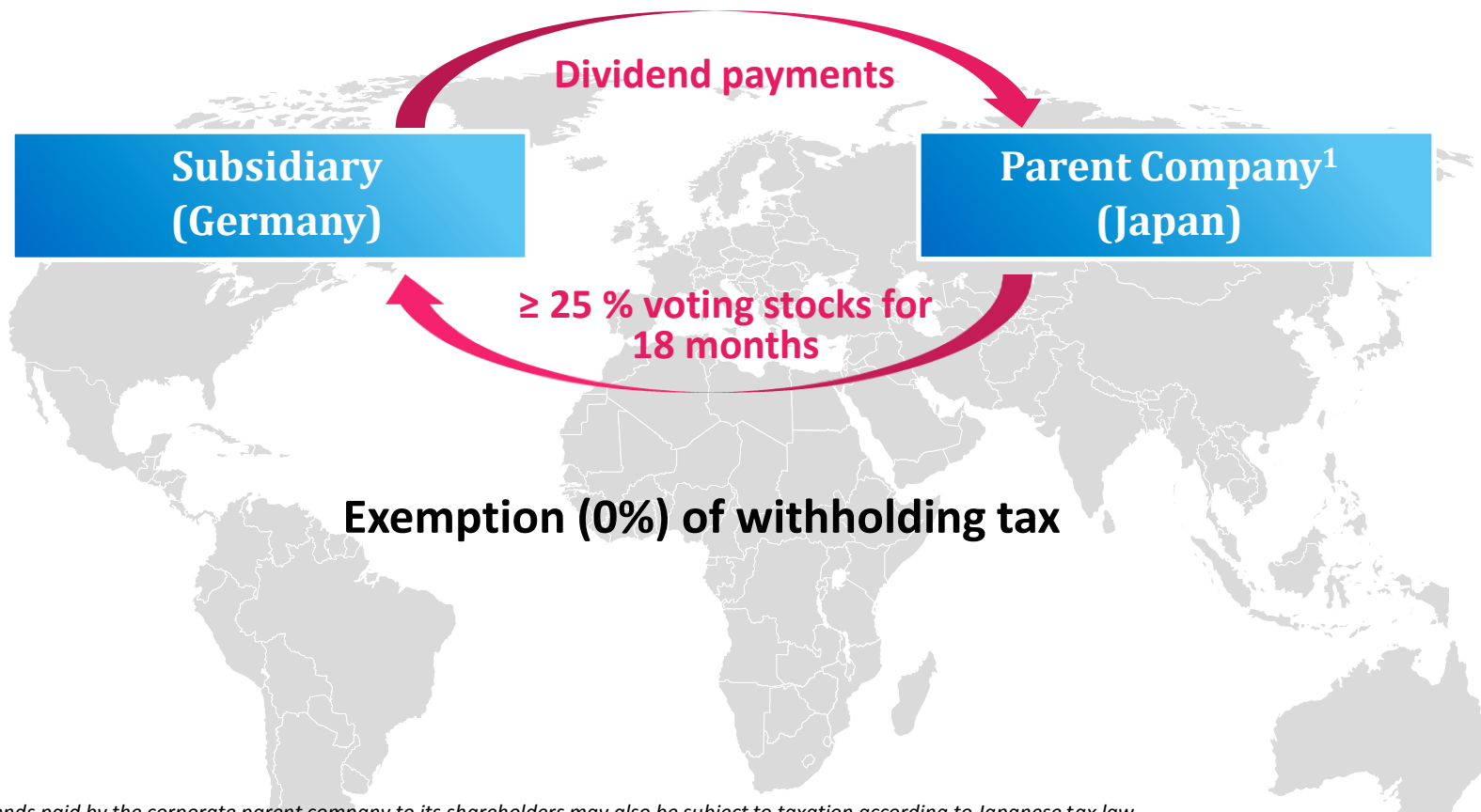
Overall Income Tax

- 29.83 % (Ø)
- 22.83 % (min)

Photo: ©Getty Images/Utamaru Kido

Corporate Taxation

January 2017 the new DTA between Japan and Germany became applicable.



1) Dividends paid by the corporate parent company to its shareholders may also be subject to taxation according to Japanese tax law.

2) Notwithstanding the taxation rate stipulated under the applicable DTA, a flat-rate 25% Withholding Tax (+ 1.375% solidarity surcharge) is levied directly from the dividend paying German subsidiary company, at the time of payout. Any difference between the Withholding Tax and the dividend tax rate effectively applicable under the DTA can be refunded, alternatively shareholders can apply for an advance exemption from excess Withholding Tax.

Employment

German employment models provide entrepreneurs flexibility in different degrees.



Photo @kokouu/Getty Images,

Employment

In addition to flexible employment forms Germany offers a highly educated and motivated workforce.

Workforce

- Highly educated & motivated
- Low job fluctuation

Labor Cost/ Climate

- Stable and moderate costs
- Stable labor relations

Innovation Power

- EU's largest Researchers' Pool
- Unique Cluster Landscape

Productivity

- Top productivity rate
- Sophisticated production process location

Incentives & Market Intelligence

Our information on available incentives and market intelligence complete the picture.



INCENTIVES

Various public funding instruments available:

- Investment Grants
- Programs for R&D activities



MARKET INTELLIGENCE

- Business location criteria: labor, prices & infrastructure
- Japanese Infrastructure in Germany

Photo: © shapecharge/istock.com

What we do

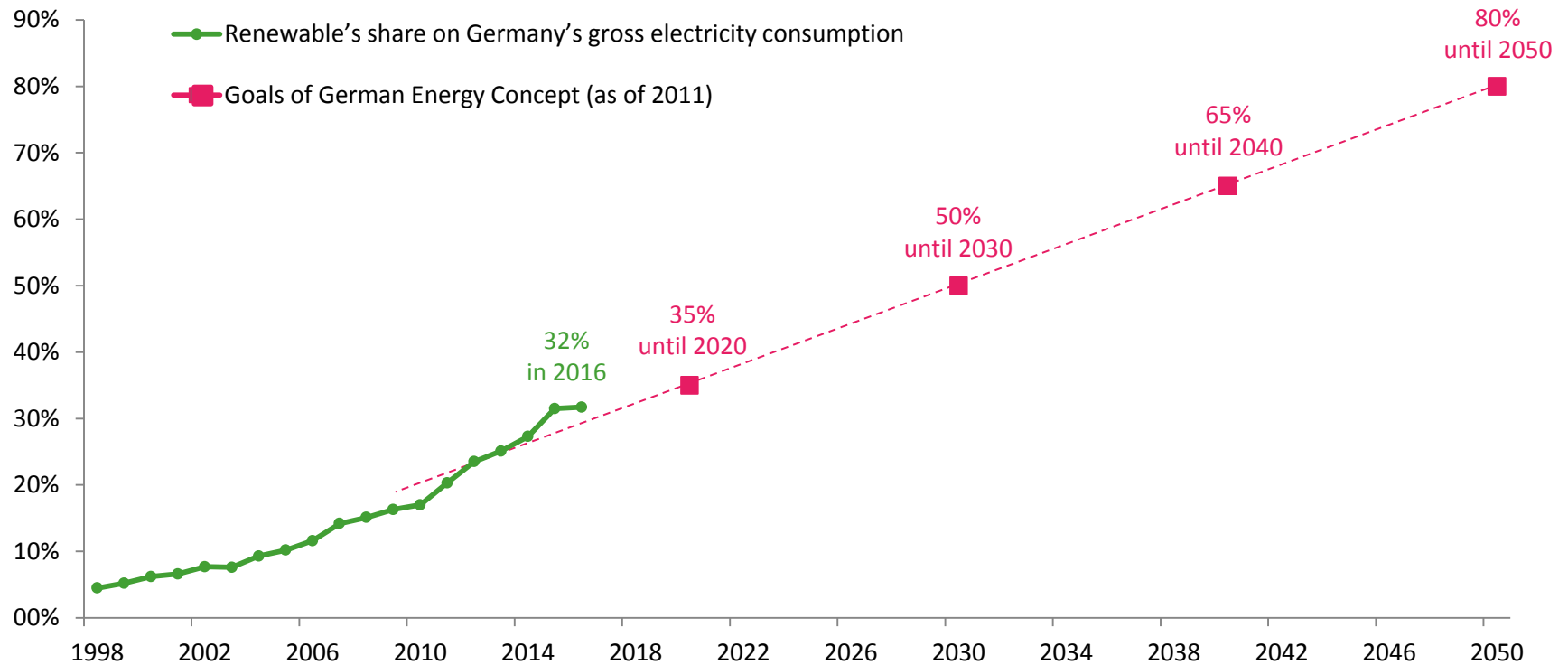
GTAI's free of charge investor consulting services cover both industry and business related topics.



Goals of Renewable Consumption

Developments on target

Renewable's share on Germany's gross electricity consumption vs. goals of German Energiewende



Sources: BMWi, 2017

Auction System

Expansion of large-capacity renewable energies under a tender scheme

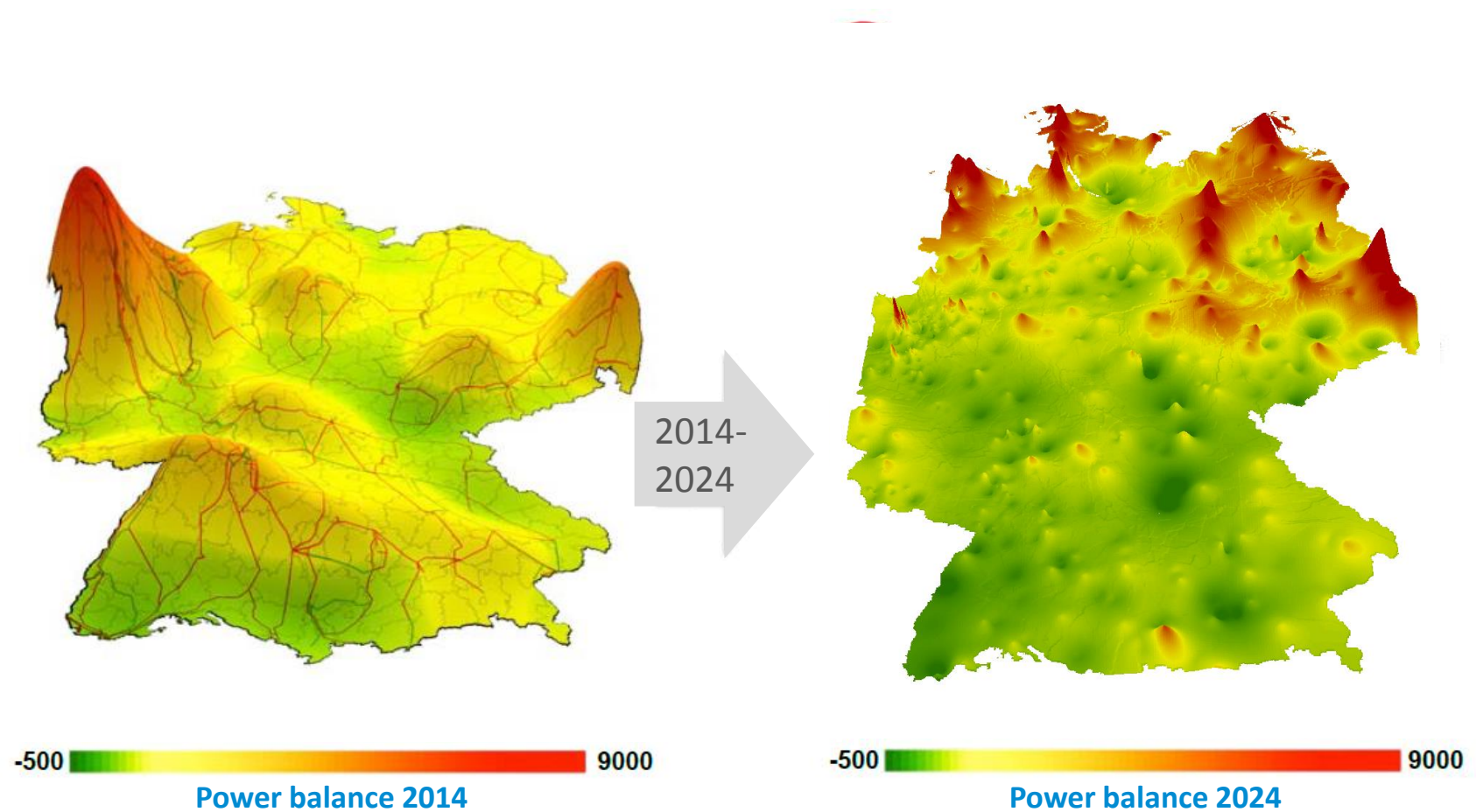
	Onshore	Offshore	Solar	Biomass
Tender conditions	> 750 kW	> 750 kW	> 750 kW	> 150 kW
Quantities that will get tendered yearly	2017-2019 2.8 GW	2021-2030 0.7 - 0.8 GW	2017-ongoing 0.6 GW	2017-2019 0.15 GW
	2020-ongoing 2.9 GW			2020-2022 0.2 GW
Targeted amount of total generation (in 2030)	82 GW	15 GW	50 GW (54GW)*	10 GW**

Source: BMWi, 2016; Deutsche WindGuard, 2016; Fraunhofer ISE, 2013, *2016

*Including solar plants < 750 kW **By 2022

The Smart Grid Market Overview

New power structures will lead to bottle necks in Germany as the new generation centers will be far from load centers

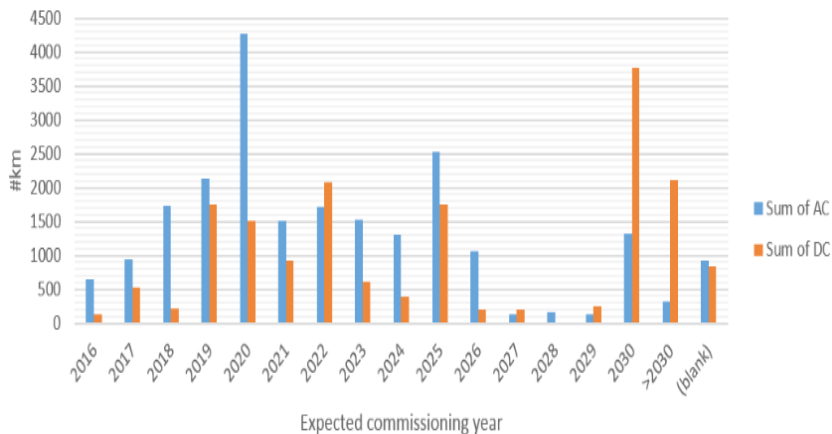


Source: Bundesnetzagentur 2016

European Grid Extension projects

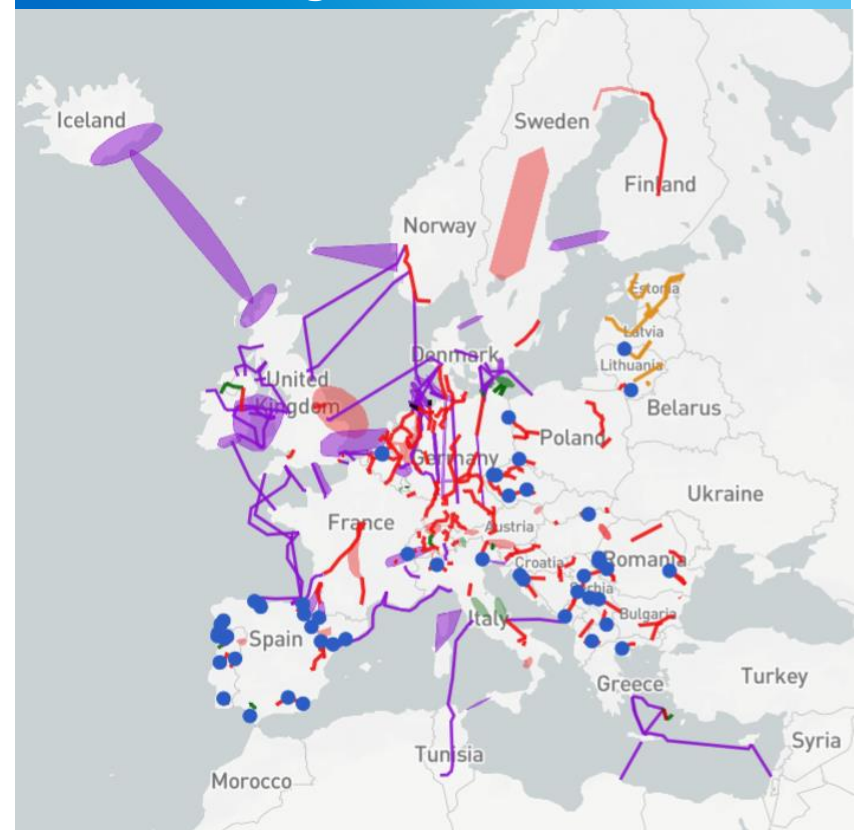
Ten-Year Network Development Plan 2016

TYNDP 2016 investment portfolio – breakdown per year of commissioning



- € 150 billion grid expansion proposed by the TYNDP 2016
- Enhanced market integration will reduce bulk power prices by 1.5 to 5 €/MWh

Pan-European Significance investments – mid- and long-term horizon

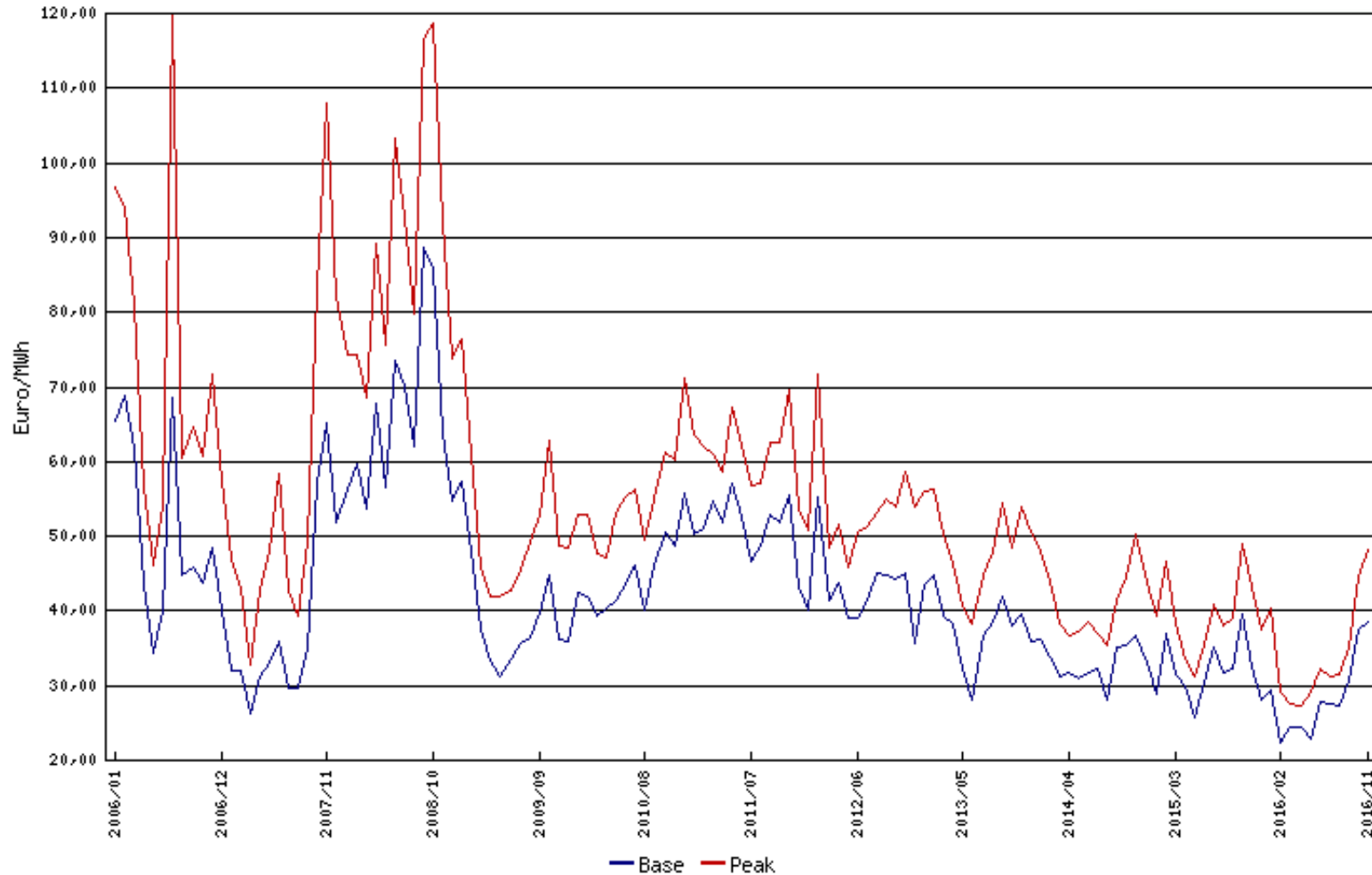


Source: TYNDP 2016 Ten-year network development plan ENTSO-E

Source: ENTSO-E 2016

Base and Peak Price Development EEX Spot Market

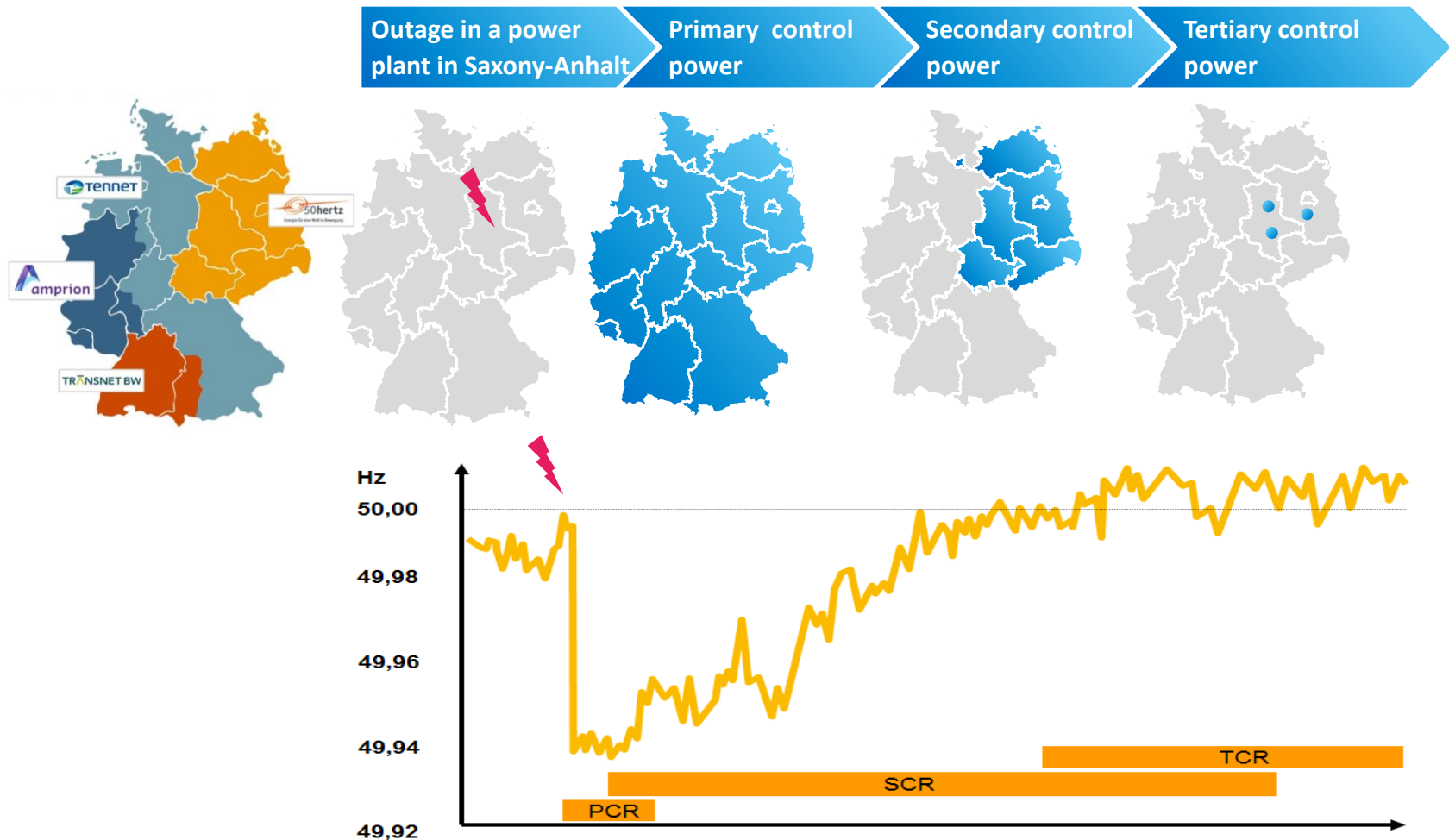
Former business model for energy storage



Source: European Power Exchange, bricklebrit.de

The German Control Power Market

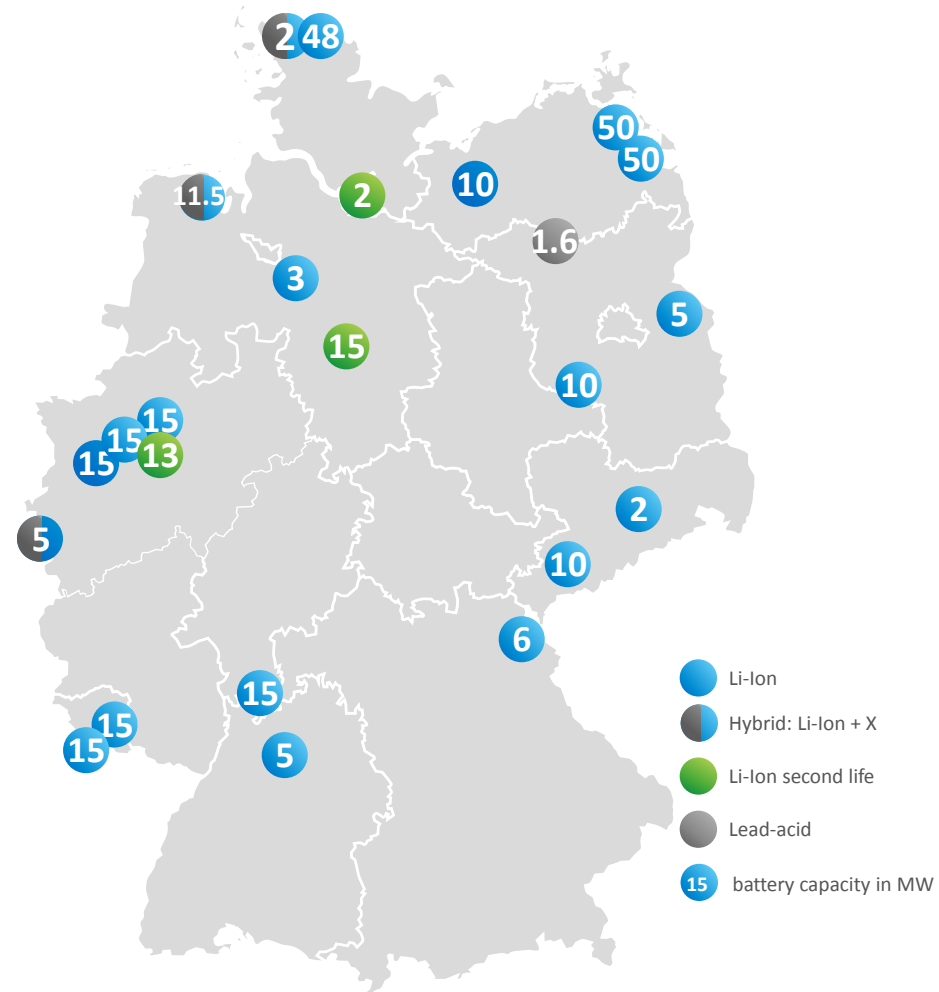
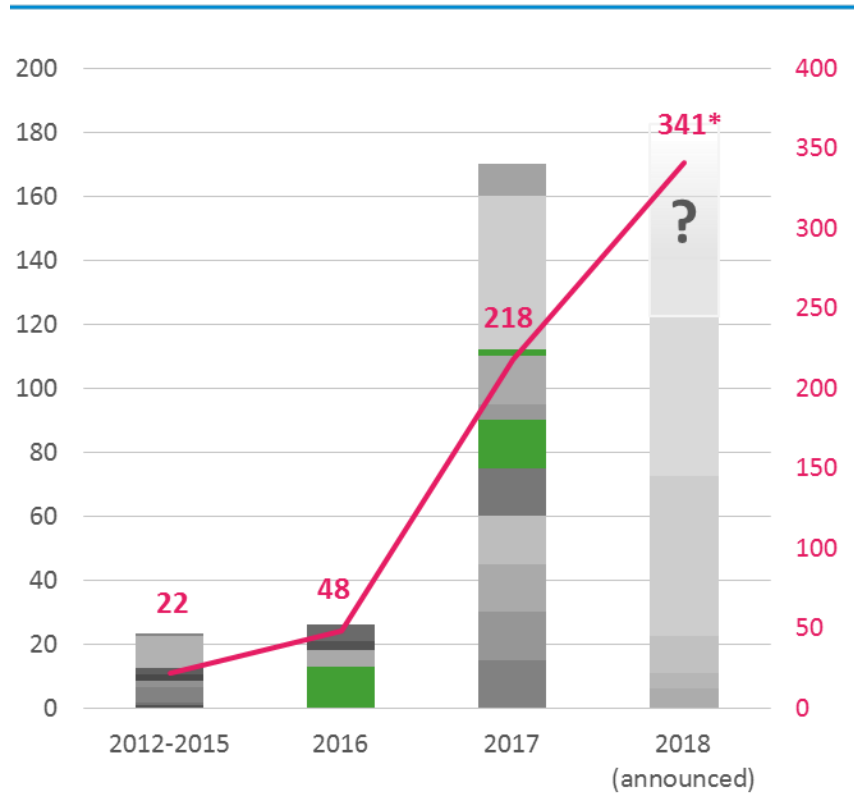
Interaction between primary, secondary and tertiary control power



Installed Primary Control Power Capacity

Growing market with increasing fluctuating renewables

Total large-scale batteries in Germany
Power capacity [MW]

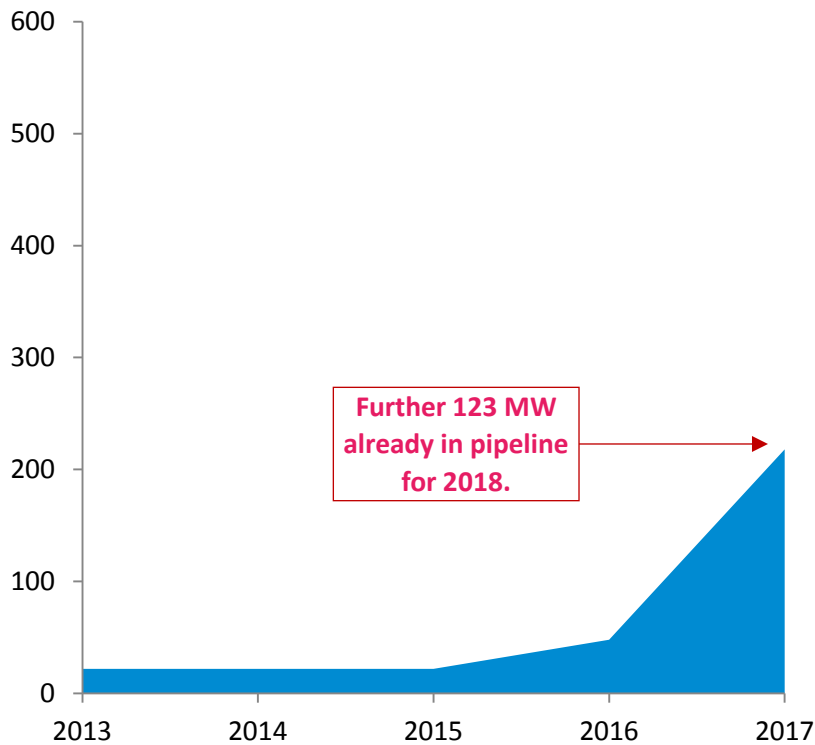


*preliminary figures;
Note: no claim for completeness

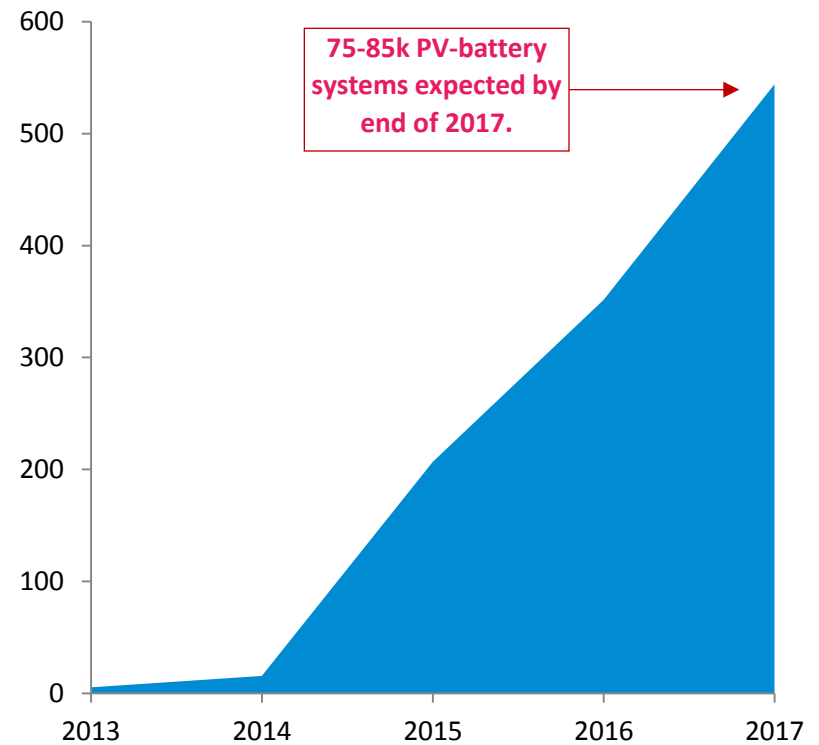
Market explosion for stationary batteries

Strong growth for private PV-batteries and large-scale grid batteries

Battery capacity for Primary Control Power (MWh**)



Installed capacity of PV-battery systems (MWh*)



Note: * average system size: 6.8 kWh; ** anticipating 1C (1 MW = 1 MWh)

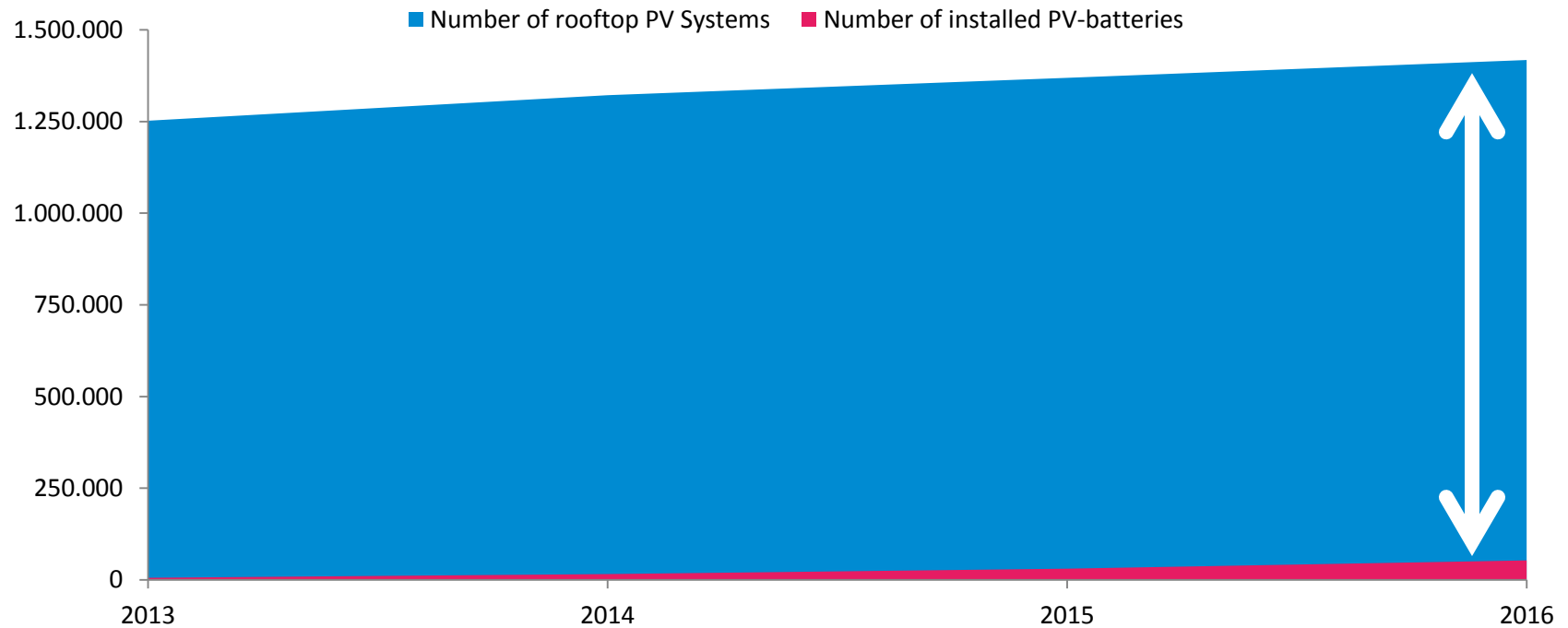
Source: RWTH 2017, BSW 2017

Still: Enormous potential for further growth

Only 3.7% of rooftop PV systems in Germany are equipped with a battery today – by 2030 it could be well over 80%.

Rooftop PV Systems vs. PV-battery systems

(Number of systems, 2013 – 2016)



Note: „rooftop PV“ is referring to PV systems < 30 kWp

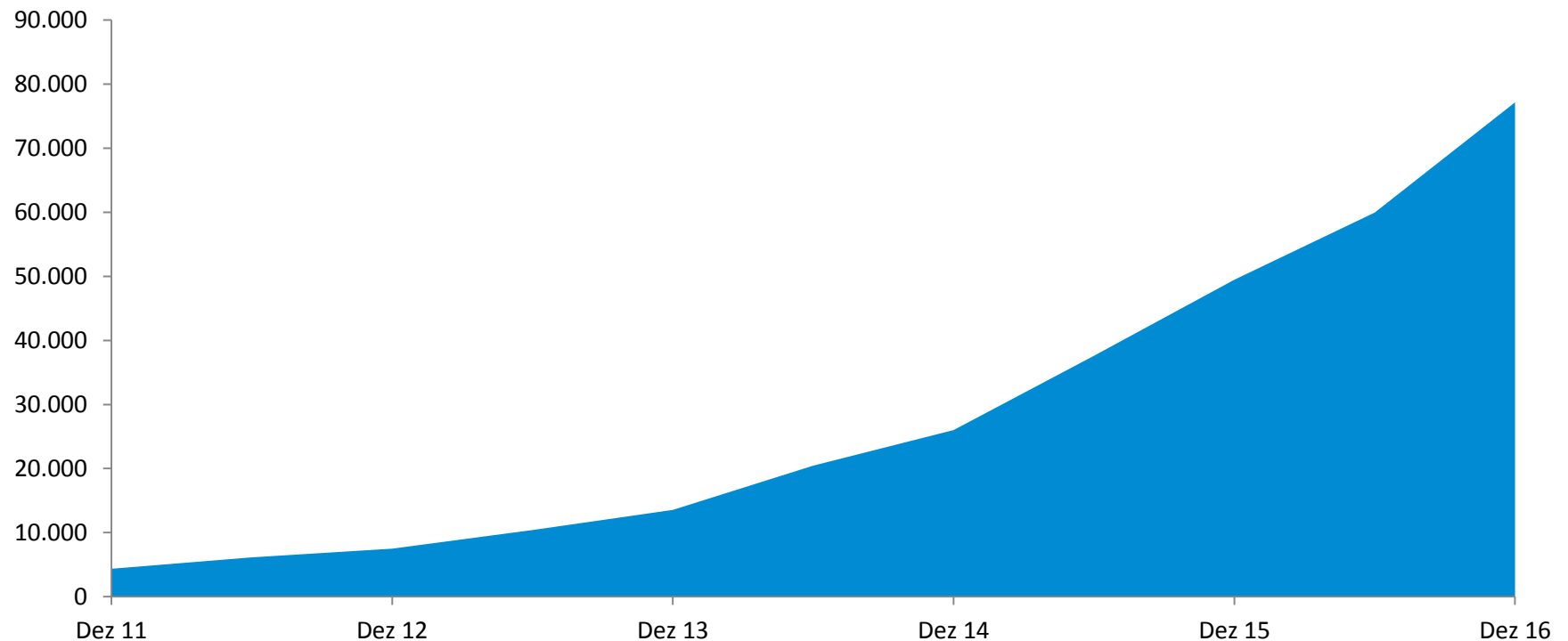
Sources: Federal Network Agency 2017, BSW 2017, RWTH Aachen 2017

Strong growth potential also for Electric Vehicles

Only 0.73% of newly registered vehicles were Plug-in Hybrids or Battery Electric Vehicles in 2016. Plan for 1 million EVs by 2020.

Electric Vehicles (PHEV + BEV) in Germany

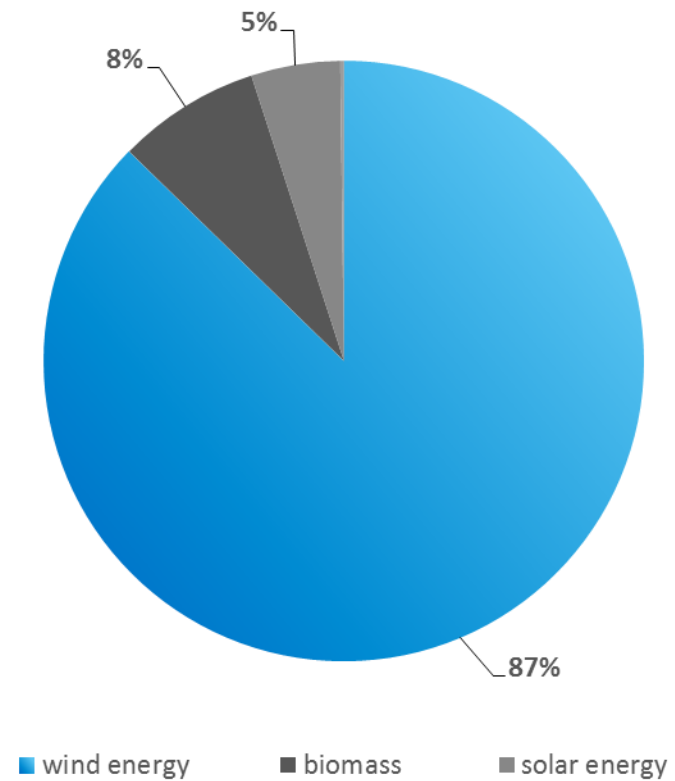
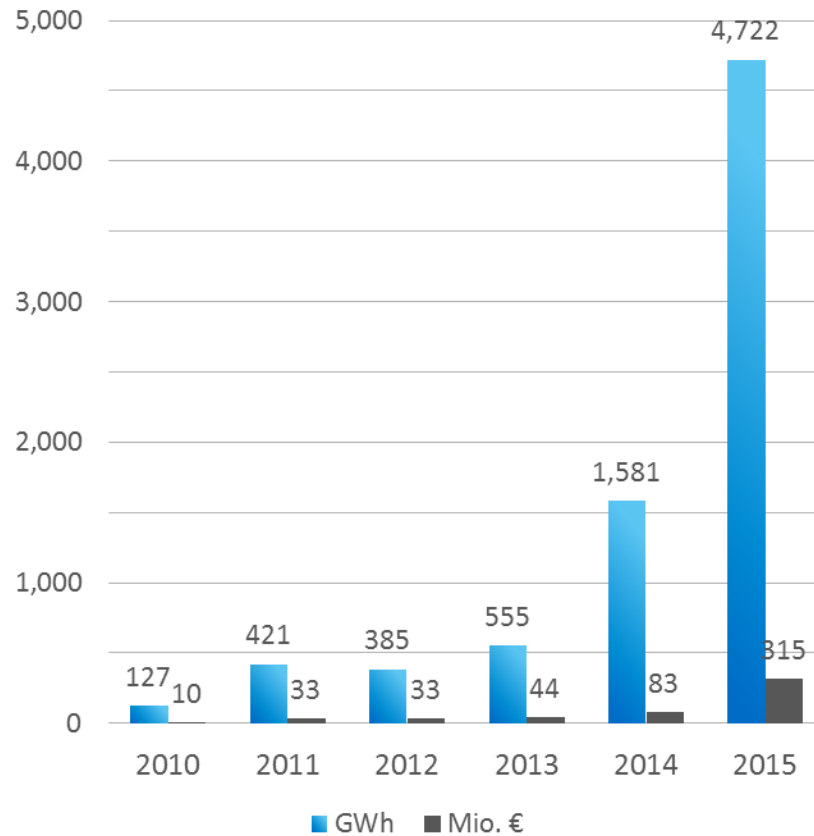
(Number of vehicles, 2011 – 2016)



Sources: IEA 2017, BDEW 2017

Development of Renewable Energy Curtailment

Long term energy storage technologies are needed



Source: German Federal Network Agency, Monitoring report 2011-2016

Source: German Federal Network Agency, Monitoring report 2016

Power to Gas: Audi e-gas plant in Werlte

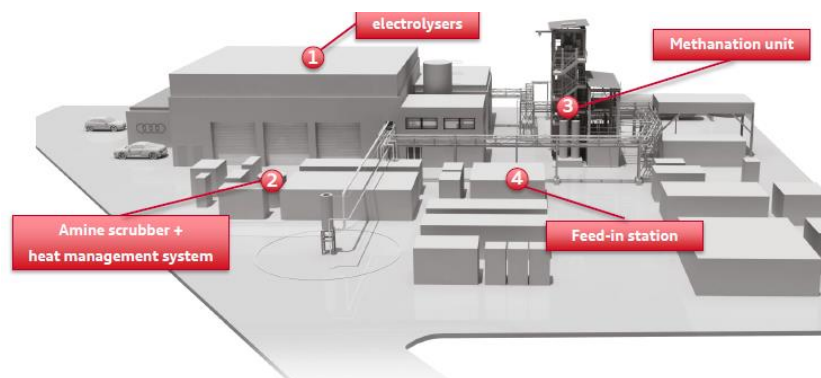
Example for sector coupling between electricity and mobility sector

Key Parameters

- Project name: Audi e-gas Projekt
- Input power: 6 MWeI
- Hydrogen production: 1.300 m³/h
- Start of operation: 25.06.2013
- Owner: Audi AG
- Carbon dioxide source: a biogas plant

Goals

- Demonstration of the process chain
- Optimize operational concept (fluctuating power from wind vs. changing gas feed)
- Gain experience in technology, costs and consenting



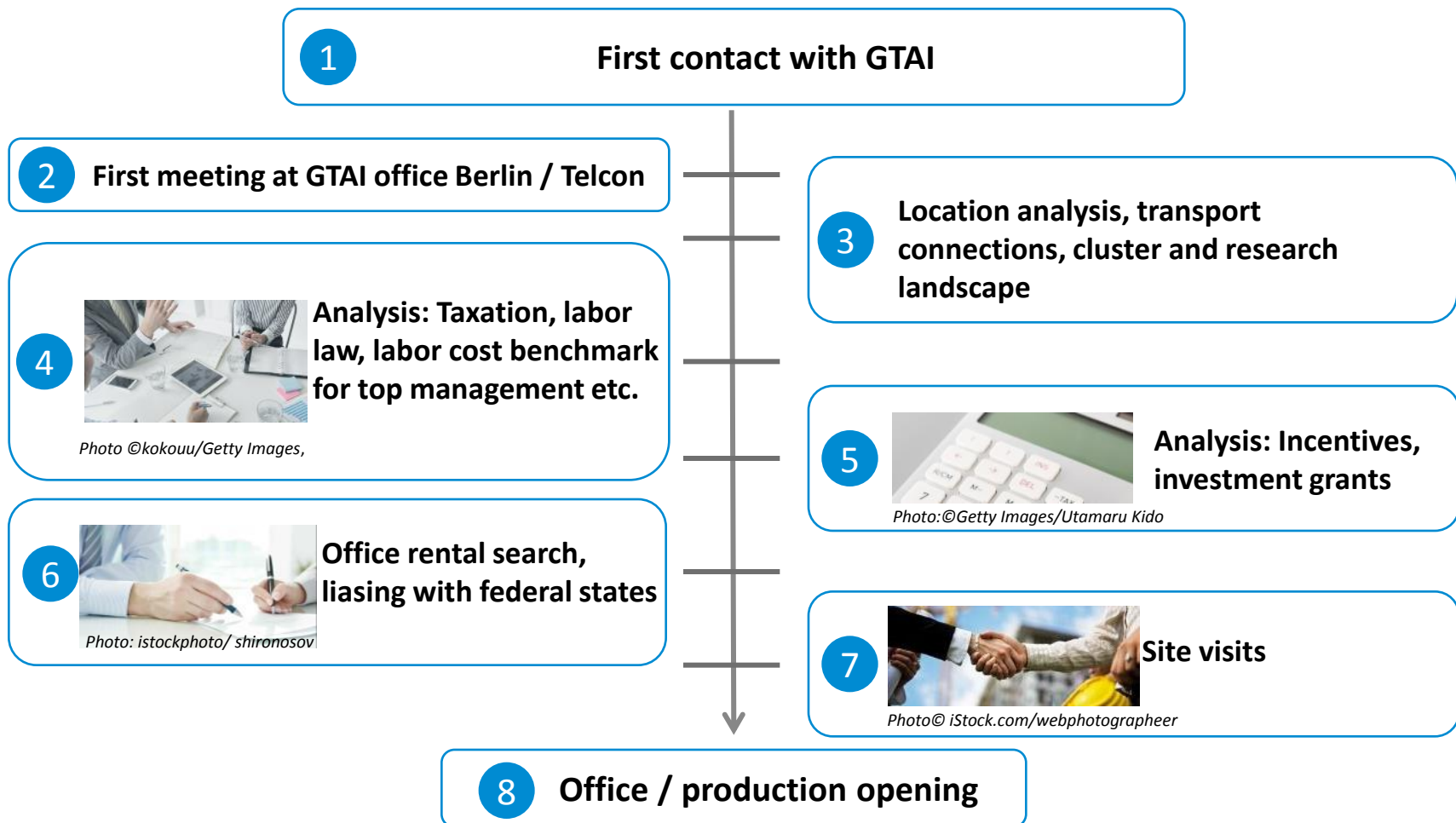
Partner

- SolarFuel GmbH
- Zentrum für Sonnenenergie und Wasserstoff-Forschung
- Fraunhofer Institut für Windenergie und Energiesystemtechnik
- EWE Energie AG

Source: Audi AG

How Germany Trade & Invest Can Help You

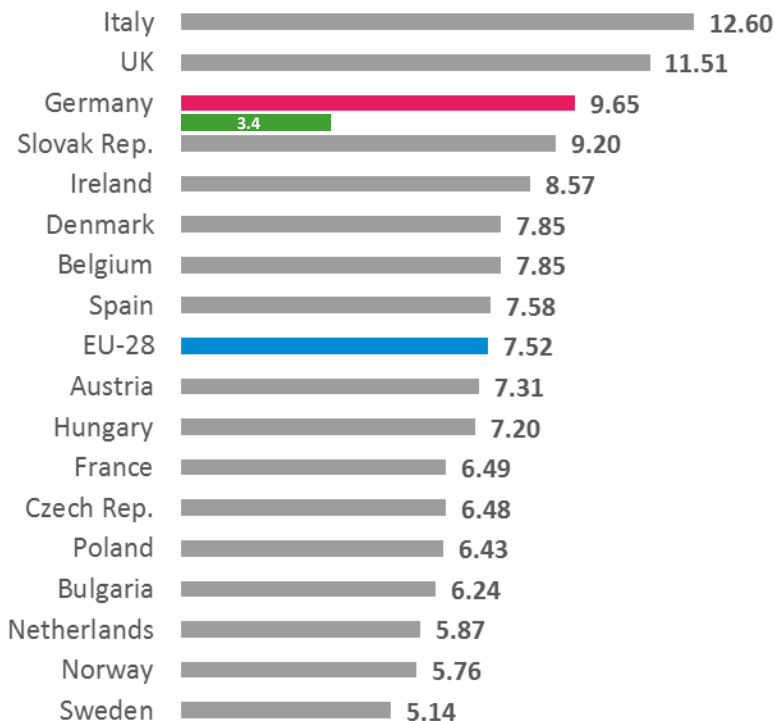
Typical project case – GTAI delivers valuable services



Industrial Electricity Prices

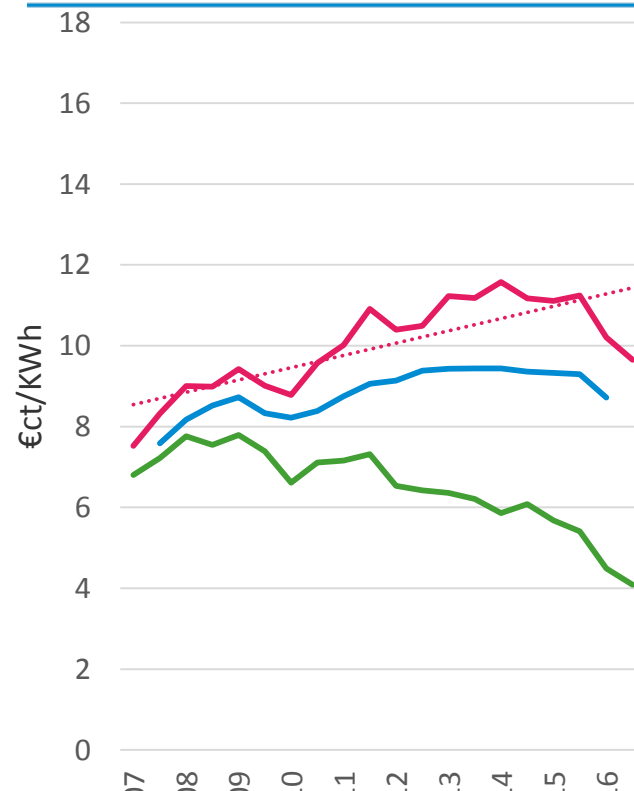
Industrial consumer costs in Germany among the highest and lowest in EU

Average annual industrial electricity prices with a consumption of 20,000-70,000 MWh¹



Note: ¹excluding VAT and other recoverable taxes and levies. All data in EUR-cent per kilowatt hour. Source: Eurostat 2017

20,000 MWh < Consumption < 70,000 MWh
Ex. VAT and other recoverable taxes and levies



*Large consumers can be freed from EEG surcharges under certain circumstances
Source: Eurostat, April 2017

Contact



Christina Schön

Tax & Legal Services GTAI

T +49 (0)30 200 099-509

christina.schoen@gtai.com

www.gtai.com



Heiko Staubitz

Energy Storage & Energy

T +49 (0)30 200 099-226

heiko.staubitz@gtai.com

www.gtai.com

Germany Trade & Invest is the economic development agency of the Federal Republic of Germany. The company helps create and secure extra employment opportunities, strengthening Germany as a business location. With more than 50 offices in Germany and abroad and its network of partners throughout the world, Germany Trade & Invest supports German companies setting up in foreign markets, promotes Germany as a business location and assists foreign companies setting up in Germany.

Supported by the Federal Ministry for Economic Affairs and Energy on the basis of a decision by the German Bundestag.

© Germany Trade & Invest

All market data provided is based on the most current market information available at the time of publication.

Germany Trade & Invest accepts no liability for the actuality, accuracy, or completeness of the information provided.