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# Supporting Foreign Investment Projects - Incentives, Tax and Legal Framework in Germany

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Germany Trade & Invest



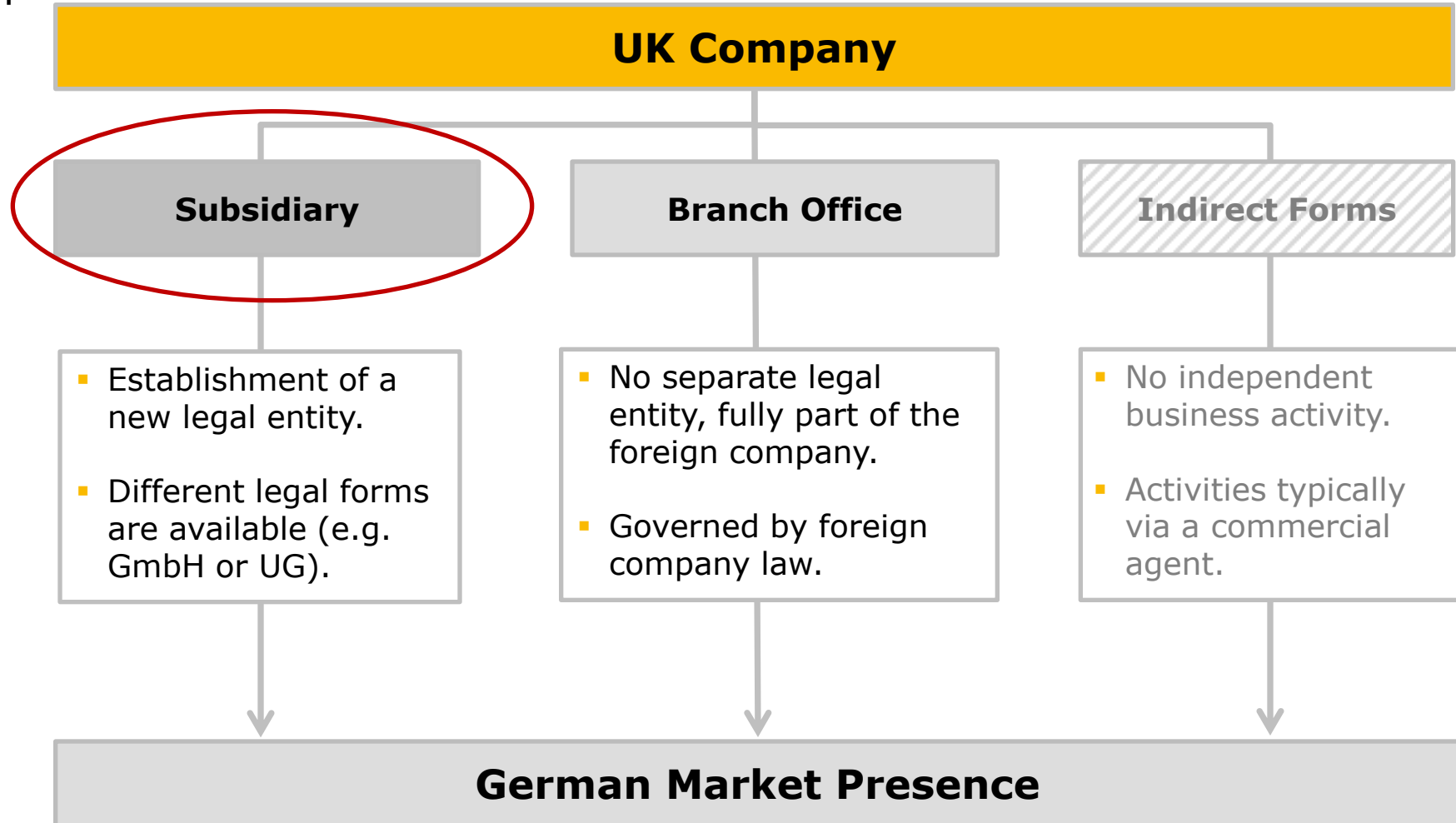
**GERMANY  
TRADE & INVEST**

## I. Business Establishment

## II. Company Taxation

## III. Incentives Overview

For British companies there are different ways to establish a German market presence.



The German private limited liability company (GmbH) is the most widely used legal form for corporations in Germany.

## GmbH:

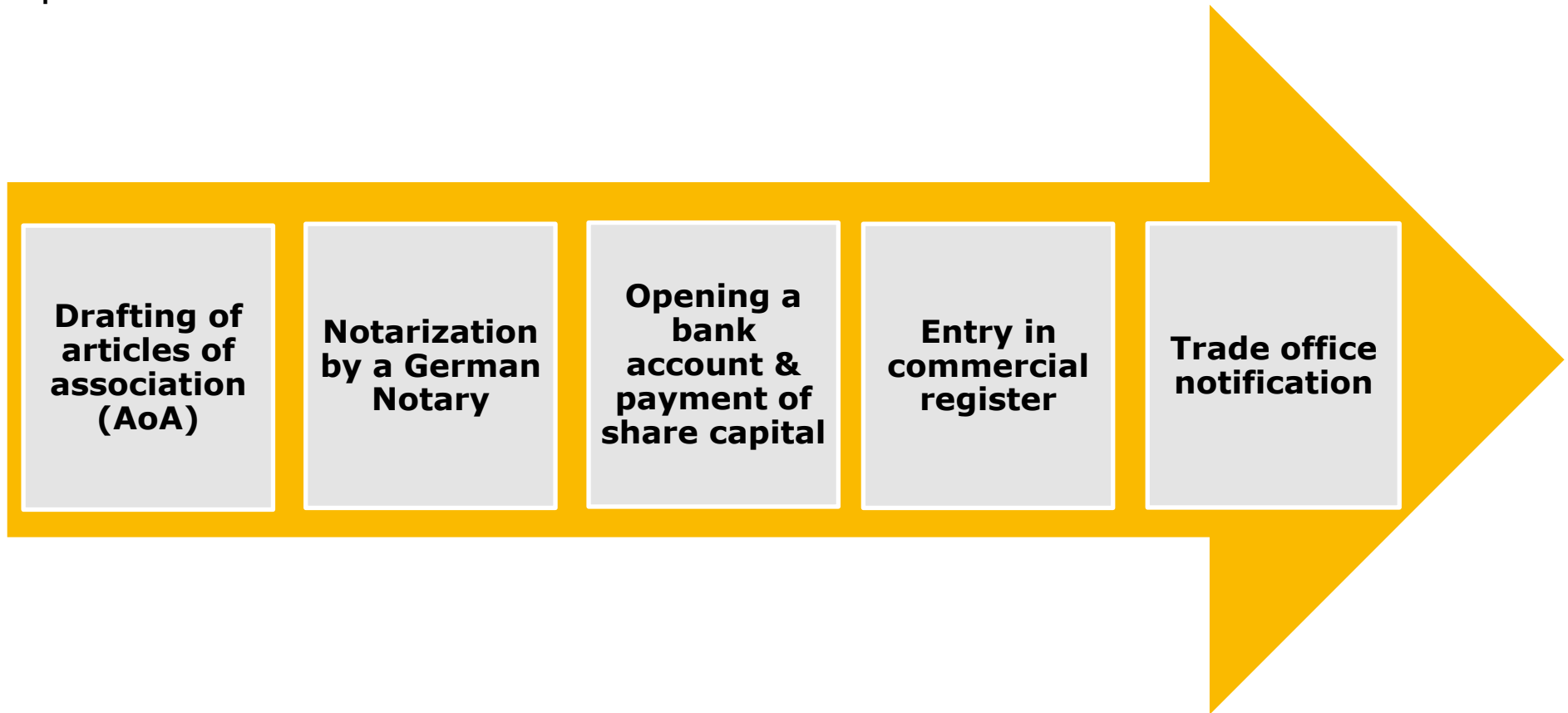
- Is suitable for every business object except listing on the stock exchange.
- Combines high flexibility with relatively few obligations.
- Well-known company form with good reputation not only within Germany.
- Requires a minimum share capital of EUR 25,000 (cash or kind).
- The liability of the shareholders is limited to their respective contribution.

The GmbH has two mandatory bodies: the managing director(s) and the shareholders' meeting.



- The managing director(s) (*Geschäftsführer*) represent(s) and manage(s) the GmbH.
- The shareholders' general meeting (*Gesellschafterversammlung*) is sovereign and can issue directions binding the management.
- There are no requirements regarding nationality or domicile of the managing director or the shareholders.
- German business address as well as a local representative are required.

The establishment procedure of a GmbH is straightforward with well-defined steps.



- The timeframe for a GmbH establishment is ideally 1-2 weeks.
- The statutory regulated establishment costs for a standard GmbH are around EUR 800.

The UG (Unternehmergeellschaft -haftungsbeschränkt) also known as Mini-GmbH is a special form and a starter version of the GmbH.

## UG (haftungsbeschränkt):

- The **UG** is largely subject to the same provisions as the GmbH (establishment procedure, mandatory bodies, limited liability etc.).

### Main differences include:

- For the establishment of an UG a minimum share capital of only **EUR 1** is sufficient.
- The UG has to retain a quarter of its annual profit until it has accumulated the minimum share capital of an ordinary GmbH (EUR 25.000).
- The accumulated EUR 25.000 can be converted into share capital and the UG can change its corporate affix from "UG" to "GmbH". From now on profit can be fully distributed, if desired.

I. Business Establishment

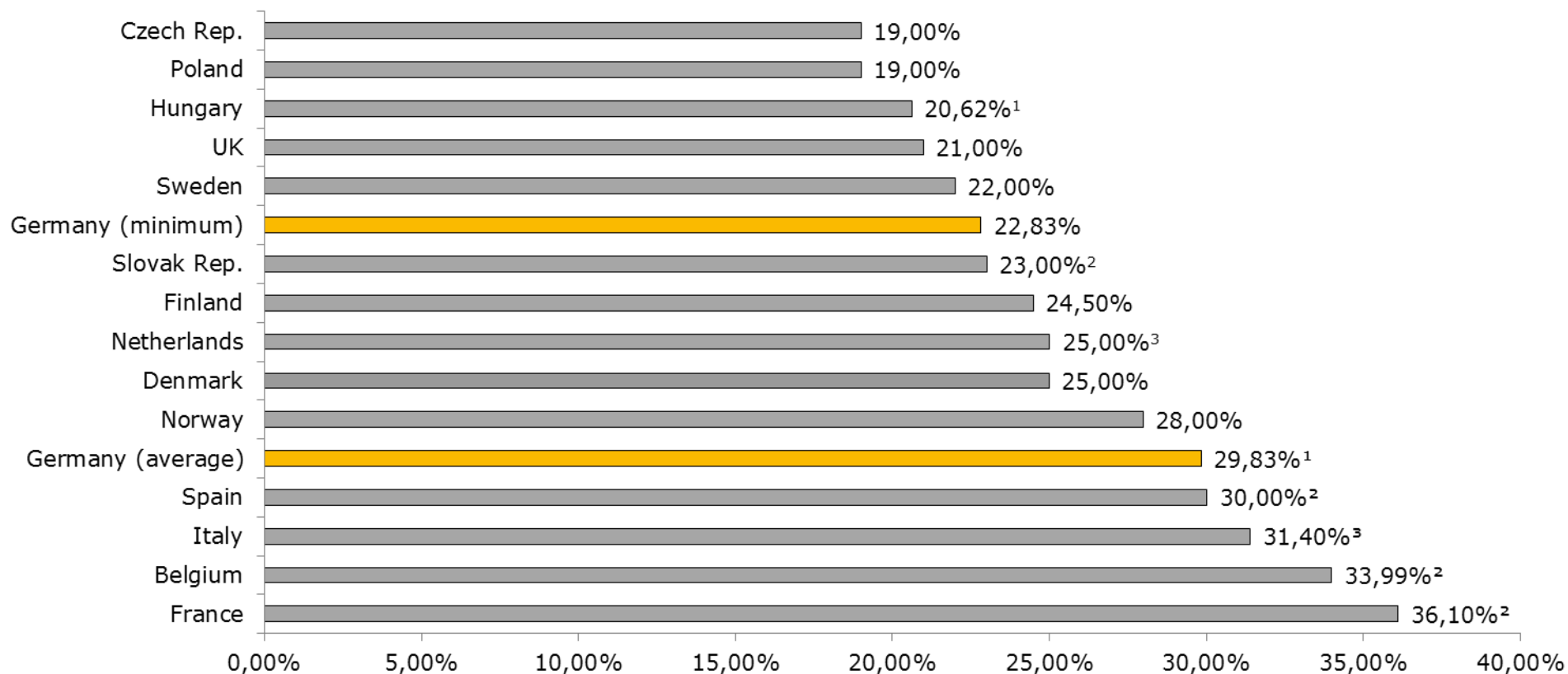
II. Company Taxation

III. Incentives Overview



Germany does not have a consistent nationwide tax rate for the corporate income taxation – it depends on the locally varying trade tax.

### Average Corporate Tax Burden (2013, in %)



<sup>1</sup>National German average. Lower overall tax rates in certain areas are possible, e.g. only 22.83% in certain municipalities.

<sup>2</sup>Top corporate income taxation rate incl. local taxes; lower starting rates or other special tax rates available. <sup>3</sup>Based on standard rate of IRAP.

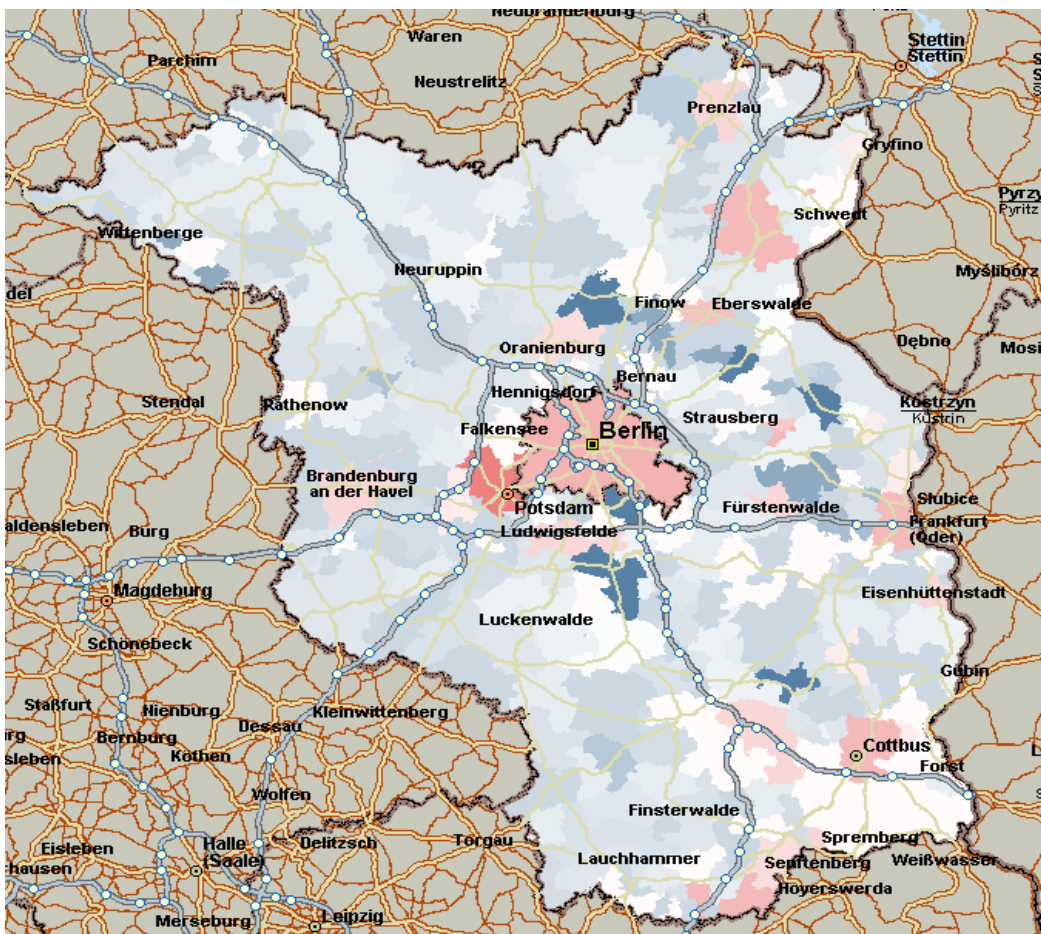
Source: Federal Ministry of Finance (BMF)

Income taxation of corporations consists of three taxation components.

<b>1. Corporate Income Tax (Körperschaftsteuer)</b>	<b>2. Solidarity Surcharge (Solidaritätszuschlag)</b>
15 % of the taxable income	0.825 % all over Germany (5.5% of the corporate income tax rate of 15%)
<b>15.825 %</b>	

<b>3. Trade Tax (Gewerbesteuer)</b>
<ul style="list-style-type: none"><li>▪ Trade tax rates are individually determined by each municipality.</li><li>▪ Trade tax rates range starts with 7.0 % and the average trade tax rate is around 14 % of the taxable income</li></ul>
<b>Starts at 7 %</b>

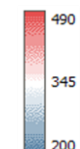
## Visualization Overall Corporate Tax Burden in Brandenburg / Berlin (first half of 2013)



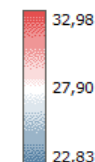
Example: Berlin	
Municipal Trade Tax Multiplier:	410%
Taxable Corporate Income (EUR):	1,000,000 EUR
Trade Tax (3.5% x municipal multiplier):	- 143,500 EUR
Corporate Income Tax (Tax Rate 15%):	-150,000 EUR
Solidarity Surcharge (5.5% of the Corporate Income Tax):	- 8,250 EUR
Net Income (EUR):	698,250EUR
Overall Tax Burden for Corporations:	30.18%

### Legend

**Municipal Trade Tax Multiplier (in %)**

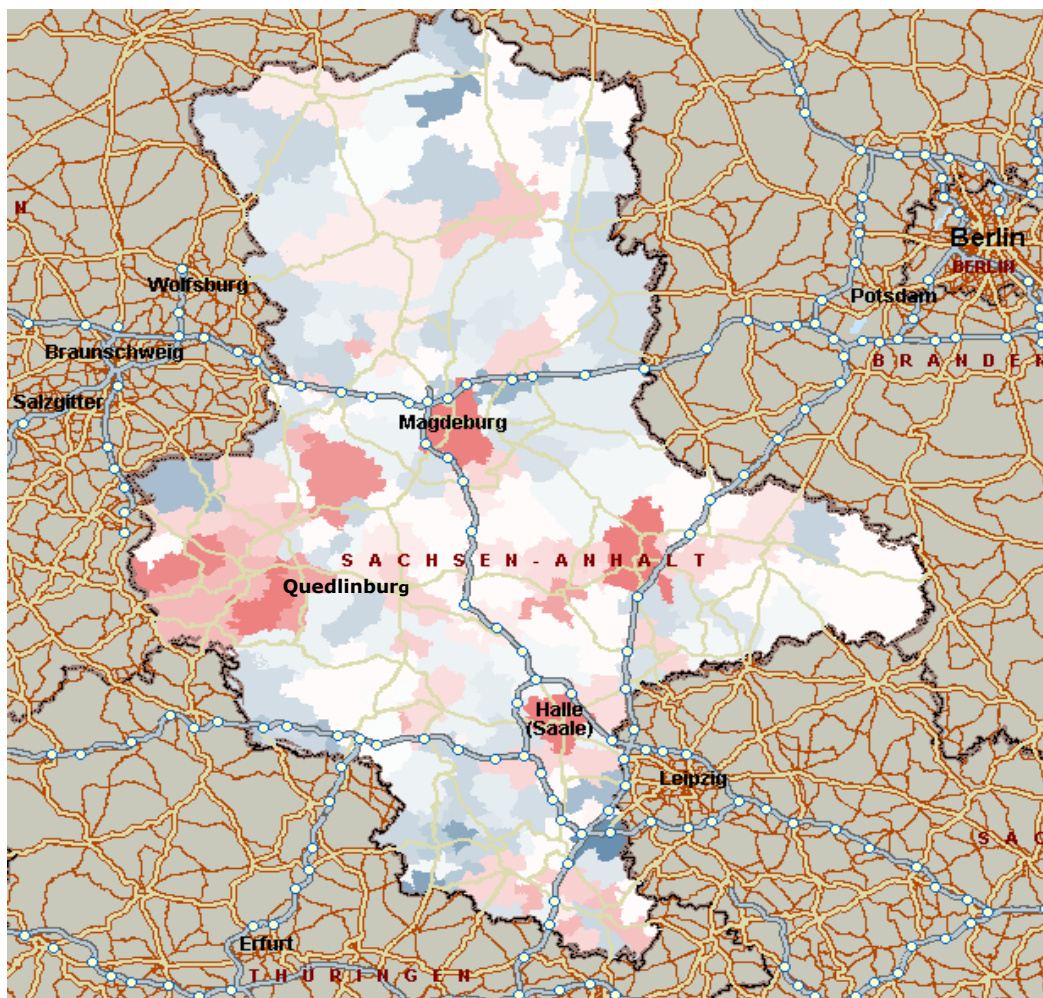


**Overall Corporate Tax Burden (in %)**



Grey areas: no data available

### Overall Corporate Tax Burden in Saxony-Anhalt (first half of 2013)

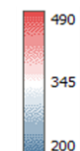


#### Example: Quedlinburg

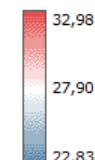
Municipal Trade Tax Multiplier:	420%
Taxable Corporate Income (EUR):	1,000,000 EUR
Trade Tax (3.5% x municipal multiplier):	- 147,000 EUR
Corporate Income Tax (Tax Rate 15%):	-150,000 EUR
Solidarity Surcharge (5.5% of the Corporate Income Tax):	- 8,250 EUR
Net Income (EUR):	701,750EUR
Overall Tax Burden for Corporations:	30.53%

#### Legend

**Municipal Trade Tax Multiplier (in %)**



**Overall Corporate Tax Burden (in %)**



Grey areas: no data available

I. Business Establishment

II. Company Taxation

III. Incentives Overview

Incentives programs in Germany are available for different funding requirements through different public funding instruments.

## Incentives in Germany

### Funding Requirements:

**Investments**

**Working  
Capital**

**Research &  
Development**

**Personnel**

**Specific  
Purposes**

**Financing supported by any of the following public funding instruments  
(combinations of instruments usually possible)**

### Public Funding Instruments:

**Grants**

**Loans**

**Guarantees**

**Equity Capital**

**Mezzanine  
Capital**

Investments grants are the most attractive funding instrument are – offered in the form of cash grants - in order to meet investors' initial capital needs.

## Incentives in Germany

### Funding Requirements:

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Financing supported by any of the following public funding instruments  
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### Public Funding Instruments:

**Grants**

Loans






Guarantees

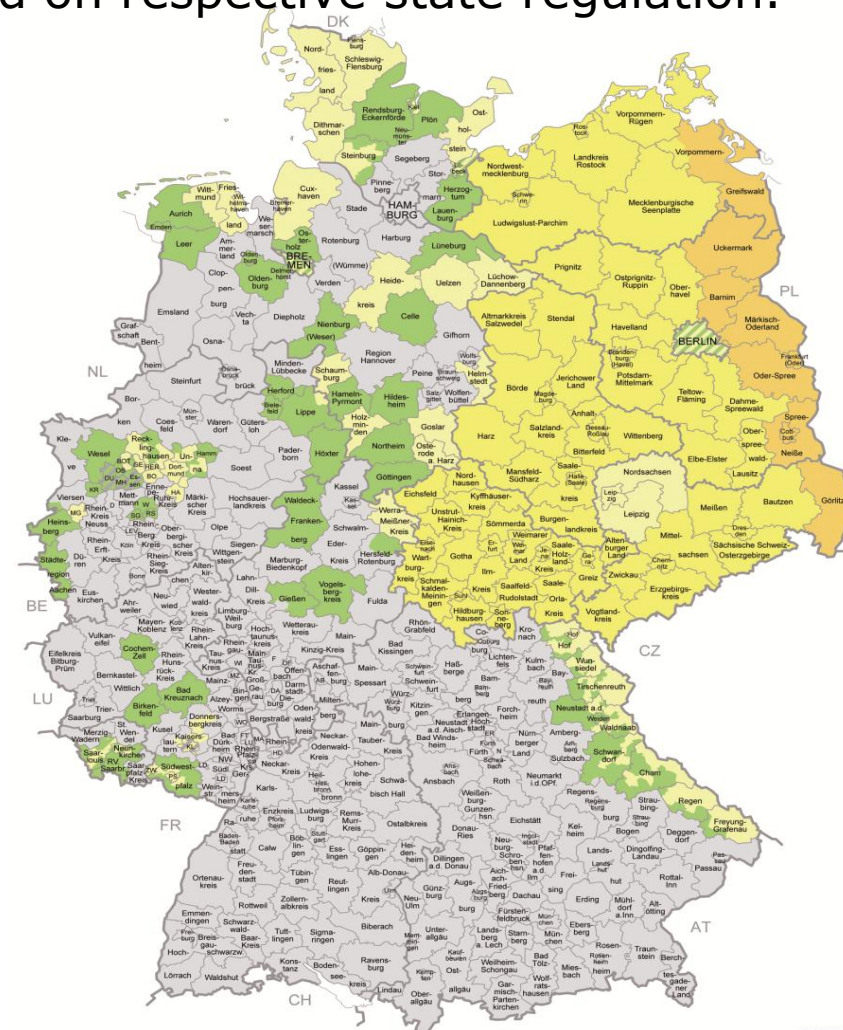
Equity Capital

Mezzanine  
Capital

# III. Incentives Overview

Germany offers **Investment Grants** of up to 40 %, depending on the region, the company size, the investment volume, and on respective state regulation.

Maximum aid intensities	Small enterprises <sup>1</sup>	Medium-sized enterprises <sup>2</sup>	Large enterprises
 Predefined C Region	35% <sup>3</sup>	25% <sup>3</sup>	15% <sup>3</sup>
 Border area to Poland	40%	30%	20%
 Non-predefined C Region	30%	20%	10%
 D Region	20%	10%	max. EUR 200,000 <sup>4</sup>
 C/D Region	30% / 20%	20% / 10%	10% / max. EUR 200,000 <sup>4</sup>



Notes: <sup>1</sup> Includes a bonus of 20%; <sup>2</sup> Includes a bonus of 10%; <sup>3</sup> Until 31 December 2017; aid intensity 2018-2020 as in „Non-predefined C Regions“; <sup>4</sup> „De-minimis-rule“



Investment Grants – availability must always be individually checked for based on the project’s data.

	Investment Grants
<b>Eligible Industries:</b>	<ul style="list-style-type: none"> <li>▪ Most manufacturing industries</li> <li>▪ Certain service industries</li> </ul>
<b>Eligible costs:</b>	<ul style="list-style-type: none"> <li>▪ Investment related <u>capital expenditures</u> for new buildings, equipment etc. <b>or</b></li> <li>▪ <u>personell costs</u> during the establishment phase of the new business.</li> </ul>
<b>Requirements are:</b>	<ul style="list-style-type: none"> <li>▪ The investment project must create long-term jobs (min. 5 years)</li> <li>▪ The equipment subsidized must remain at the location for at least five years.</li> <li>▪ At least 50% of expected turnover must be generated outside a 50 km radius from the establishment.</li> </ul>
<b>Application</b>	Must be submitted to the respective state development bank before any investment (also orders and contracts for investment goods) is made.

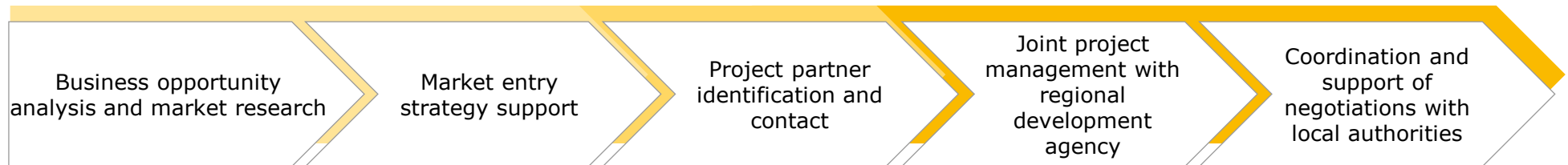
Complete your project management needs from our range of investment and one-stop project consultancy services.

## Strategy

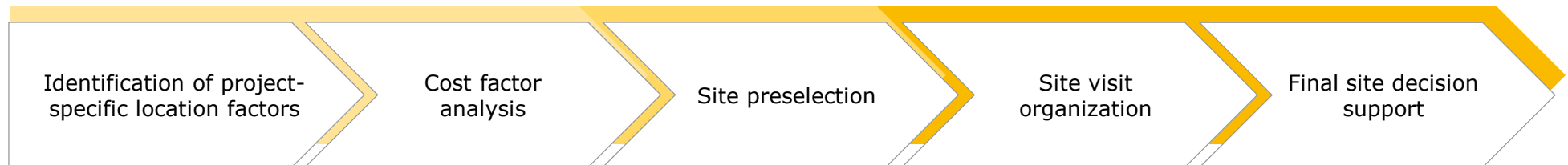
## Evaluation

## Decision & Investment

### Project Management Assistance



### Location Consulting/Site Evaluation



### Support Services





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