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ESTABLISHING A BUSINESS ENTITY IN GERMANY

ILN CORPORATE GROUP

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ESTABLISHING A BUSINESS ENTITY IN GERMANY

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Anyone can establish a business in Germany - irrespective of citizenship, nationality or place of residence. There is no specific investment legislation for foreign entrepreneurs.

Any entrepreneur can make his choice from an exclusive group of different types of legal entities to establish a new company in Germany.

I. Types of Legal Entities

Entrepreneurs can establish a business by either opting for a corporation or a partnership or conducting business via a Germany-based branch office.

The choice of legal form is generally based on the intended role and function of the shareholders, their liability and terms of taxation.

The legal structure of all company forms is stipulated by law which provides for predictability and legal certainty.

1. Corporations

When choosing the legal form of the company, a corporation is usually the preferred choice for established companies. There are four major forms of corporations under German law:

- Limited Liability Company (*GmbH*)
- Limited Liability Entrepreneurial Company ("Mini GmbH")
- Stock Corporation (*AG*)
- Partnership Limited by Shares (*KGaA*)

A corporation is a legal entity with its own statutory rights and obligations, i.e. the holder of such rights and obligations is not the individual shareholder, but the legal entity itself. Consequently, the corporation itself concludes contracts, holds assets and is liable for taxation.

Liability of a corporation is limited to the corporation's business assets, including its share capital. A minimum share capital is required.

a. Establishment of a Corporation

A corporation can be established by any number of different partners. The share capital can be contributed in cash or in kind (e.g. real estate, office furniture or patents). The deed of incorporation which essentially includes the articles of association must be recorded by a notary. Additional establishment steps are necessary for certain forms of corporations.

The establishment procedure ends with registration in the commercial register held with the local court (Handelsregister). The corporation's limitation of liability only becomes effective upon entry into the commercial register. The application for the registration of the corporation in the commercial register has to be signed by the managing director(s) personally before a notary, who certifies and files it with the responsible commercial register in electronic form. Prior to the corporation starting business, the trade office (Gewerbe-/Ordnungsamt) must be notified of the respective business activity of the new corporation.

b. Taxation of Corporations and its Foreign Shareholders

A corporation resident for tax purposes in Germany is subject to corporate income tax and solidarity surcharge (in total 15.825 %) as well as to trade tax. Trade tax is calculated based on a multiplier, which is assessed by the local authorities. The tax rate currently amounts to 16.1 % of the profit in Frankfurt and to 17.15 % in Munich. However, the actual trade tax burden might be increased by certain restrictions with regard to the deduction of expenses. Inter alia interest and rental expenses are not fully deductible for trade tax purposes.

Dividends: A shareholder who is a foreign tax resident is subject to limited tax liability with regard to dividends from the German entity. A dividend triggers withholding tax plus solidarity surcharge in the aggregate amount of currently 26.375 %. However, there are certain tax reliefs according to which the foreign shareholder may claim a refund of the withholding tax or an exemption from the withholding (the latter with the consequence that the German company does not have to withhold any tax on the dividend). This applies to dividends received by a foreign corporation which is a resident of a member state of the EU and holds at least a 10 % stake. If the shareholder is not a resident of the EU, but subject to a double taxation treaty, the tax reliefs provided for in the treaty apply. Most double taxation treaties limit withholding tax on dividends to 5 %, if the shareholder is a corporation and holds at least 25.0 % and to 15 % withholding tax in all other cases. The foreign shareholder may apply for a refund or an exemption from the withholding to the extent that the German withholding tax exceeds the limit under the double taxation treaty.

The German Income Tax Act provides for anti-treaty-shopping rules according to which the tax reliefs are subject to certain substance requirements to be met by the foreign shareholder. The requirements have been subject to frequent changes, in particular, due to decisions of the European Court of Justice. The legal situation is still in flux and is to be assessed in the light of the current wording of the legal provision, the announcements of the tax authorities and current case law. Of special importance is the escape clause of the current legal provision according to which the anti-treating-shopping rules shall, in particular, not apply if the foreign shareholder proves that none of the main purposes of its involvement is to obtain a tax advantage.

Capital gains: If the foreign shareholder holds at least one percent in the German entity, a capital gain is subject to German corporate income tax (if the shareholder is a corporation) or income tax (if the shareholder is an individual). The EU does not provide a tax relief for capital gains. However, according to almost all double taxation treaties concluded by Germany, a capital gain realized by a foreign shareholder with regard to shares in a corporation having its tax residence in Germany is tax-exempt in Germany. If the foreign shareholder is not subject to a double taxation treaty, tax exemptions under German tax law may apply.

Interest on shareholder loans: Interest income from shareholder loans paid by the German entity to its shareholder is generally not subject to taxation in Germany. Especially, no withholding tax accrues. According to the former thin-capitalization-rule, interest on shareholder loans had been subject to reclassification into a dividend with the consequence that such reclassified interest was not tax-deductible and subject to withholding tax. However, the thin-capitalization-rule has been abolished and replaced by the interest barrier (*Zinsschranke*)), which limits the

deduction of interest expenses to 30 % of the taxable EBITDA. The interest barrier only applies if the aggregate net interest expenses of a fiscal year amount to at least EUR 3.0 m. Up to this threshold (*Freigrenze*), interest on loans (including loans from foreign shareholders) is fully deductible for tax purposes to the extent that they comply with arms' length principles. If the net interest does not fall short of the threshold, the application of the interest barrier is not limited to the excess amount but includes the entire net interest from the first euro.

Debt push down: If a foreign investor wants to acquire an already existing German enterprise, the interposition of a German acquisition vehicle in the legal form of a corporation enables to setup a debt push down. This means that the non-capitalized expenses resulting from the transaction – including interest on acquisition loans – can be offset with the operating income of the target company.

c. Limited Liability Company (GmbH)

aa. Characteristics

The German limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) is the "smaller" version of the capital corporation and the most widely used legal form for corporations in Germany. It combines high flexibility with relatively few statutory obligations.

Setting up a GmbH is uncomplicated and can be accomplished within a short period of time.

bb. Share Capital

The minimum share capital required to establish a GmbH is EUR 25,000 (this can be made up of contributions in kind). At the time of registration, at least half of the minimum capital (i.e. EUR 12,500) must be actually and verifiably contributed on a bank account.

cc. Formation Procedure

The formation procedure of a GmbH is fairly uncomplicated, as it is established by the founding shareholder(s) executing a deed of formation and articles of association before a notary public qualified in Germany (Notar).

Ideally, the time period required for the formation of a GmbH is up to four weeks. The estimated court and notary costs for the formation of a standard GmbH are approximately EUR 800 plus the fees for legal counsel.

dd. Management

A GmbH is managed and legally represented by its managing directors. There must be at least one managing director (who must be an individual but does not have to be a shareholder, a resident of Germany or a German citizen). By issuing binding instructions or directions to the managing directors, the shareholders may exercise direct influence on the management of the GmbH.

ee. Registration

In order to be valid, the GmbH must be entered into the commercial register (*Handelsregister*). All managing directors (*Geschäftsführer*) must sign the commercial register application in person in the presence of a notary.

Once registered in the commercial register, the GmbH becomes a legal entity. The GmbH must then be registered at the local trade office (*Gewerbe- oder Ordnungsamt*).

a) "Mini GmbH" (Limited Liability Entrepreneurial Company)

The Mini-GmbH (*Unternehmergesellschaft UG, haftungsbeschränkt*) is not a separate legal form of company, but a GmbH which has a minimum capital of less than EUR 25,000 and where cash subscription is required. This means that it is possible to set up a company with

limited liability in Germany with capital of only EUR 1.00. However, it must be noted that a Mini-GmbH with such an absolute minimum of share capital will hardly be regarded as a serious business partner in Germany and should only be considered as an ultimate start-up model to be capitalized further as soon as possible.

In order to compensate for the initial absence of capital the Mini-GmbH has to retain a quarter of its annual profit until it has accumulated the minimum shareholder capital of an ordinary GmbH (which is EUR 25,000). The accumulated capital can then be converted into share capital and the Mini-GmbH altered into a standard GmbH.

For uncomplicated standardized formation of a Mini-GmbH model articles are provided. These articles must still be notarized, but for a reduced fee. Thus, establishment costs for a Mini-GmbH are reduced to a total of around EUR 300 plus the fees for legal counsel.

Except for the above-mentioned specific provisions, the Mini-GmbH - by terms of law - is generally subject to the same duties and rights as the standard GmbH.

b) Stock Corporation (AG)

aa. Characteristics

A stock corporation (*Aktiengesellschaft, AG*) is the "larger" version of a capital corporation which can also be publicly listed. The AG generally enjoys a high market reputation among business partners. However, the founding formalities and costs of an AG and the ongoing annual costs for audit, tax filings and reportings are considerably higher than for the GmbH. Also, the AG is subject to extensive organizational obligations in day-to-day business. The AG is liable to corporate income tax, solidarity surcharge and trade tax.

bb. Formation Requirements

In principle, an AG can be established by any individual. Generally speaking, there are only two founding obligations to be observed. First, an AG must have a minimum share capital of EUR 50,000 (which must be fully subscribed to by the founding shareholders), and articles of association need to be certified by a notary. Given the more complex statutory obligations, comprehensive legal consultation is strongly advised for drawing up the articles of association and the entire legal set-up of an AG.

cc. Appointing the Management

The founding shareholders appoint the first auditor (*Abschlussprüfer*) and supervisory board (Aufsichtsrat), which in turn appoints the first management board (*Vorstand*). The appointment of the first auditor and supervisory board must be notarized.

The founding shareholders must also prepare a formation report with the relevant details of the establishment of the AG. This report has to be scrutinized by the boards.

The AG is managed by its management board. Neither supervisory board nor shareholders can exercise direct influence on the management board.

dd. Registration

The AG comes into existence upon registration in the commercial register (*Handelsregister*). The application must be signed by the founding shareholders, the members of the supervisory board and the management board before a notary. In addition, an AG must be registered with the local trade office (Gewerbe- oder Ordnungsamt).

c) Partnership Limited by Shares (KGaA)

ee. Characteristics

The partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) combines the structures of a stock corporation

(*AG*) and a limited partnership (*Kommanditgesellschaft*). It connects the entrepreneurial commitment and personal standing of the individually liable shareholders (general partners) with the function of the AG as a public company and source of capital. The KGaA can be described as a stock corporation having individually liable shareholders (general partners) instead of a management board.

The KGaA is not a frequently used legal form in Germany. It is liable to corporate income tax, solidarity surcharge and trade tax.

ff. Liability of Partners

The KGaA can have an unlimited number of capital investors (limited shareholders), whose liability is limited once they have paid their subscribed capital contribution. The minimum share capital of a KGaA is (in total) EUR 50,000. The limited shareholders have more or less the same legal rights as shareholders in an AG. At least one partner of the KGaA, the general partner, has to be liable for debts and liabilities of the KGaA without limitation.

gg. Registration

The KGaA must be entered into the commercial register and registered with the local trade office.

2. Partnerships

The main feature of a partnership is the personal commitment of the partners to their working efforts to the partnership. Any partnership requires at least two partners. There are four major forms of partnerships in Germany.

- Civil Law Partnership (*GbR*)
- General Commercial Partnership (*oHG*)
- Limited Partnership (KG)
- GmbH & Co. KG

Their main difference lies in the liability of their partners and required registration obligations.

A partnership company (*Partnerschaftsgesellschaft* or *PartG*) is a form of partnership specifically designed for the joint exercising of professional freelance activities, such as architects.

a. Main Characteristics

In contrast to corporations, partnerships are not independent legal entities but associations of people. In partnerships, the individual partners responsible for the liabilities of the company (including private assets) act for the company. Limitations of liability for individual partners are only possible to a limited extent.

No minimum share capital is required, and the accounting obligations and publication requirements are less extensive than those for corporations.

b. Establishment of a Partnership

Establishing a partnership is easy and can be completed in just a few steps. At least two partners are required to establish a company. A minimum share capital does not have to be raised. The management of the company can only be carried out by partners.

Depending on the type of partnership, entry in the commercial register (*Handelsregister*) is required. The application is signed by all partners and must be filed by a German notary in certified and electronic form with the commercial register. If a business activity is carried out by the partnership, the trade office (Gewerbe-/Ordnungsamt) must accordingly be notified.

c. Taxation of a Partnership and its Foreign Partners

A partnership is transparent for income tax purposes. This means that the partnership is not subject to income tax. Whether the foreign

partners are subject to taxation in Germany depends on the circumstances and the structure of the partnership. If the sole business purpose of the partnership is the holding of shares in corporations (*GmbH* or *AG*), it is usually possible to structure the partnership in a way that the foreign partners are not subject to taxation in Germany. If the partnership is, however, engaged in operative activities, the profit realized by the partnership is taxable at the level of the partners in accordance with their participation quota, even if the profit is not distributed to them. If the foreign partner is a corporation, such profit is subject to corporate income tax and solidarity surcharge (in total 15.825 %) in Germany. If the partner is an individual, the profit is subject to income tax at his personal income tax rate, which depends on the amount of income. The maximum income tax rate is 45.00 % plus solidarity surcharge applying to taxable incomes exceeding EUR 280.000 (or EUR 560.000 for jointly taxed spouses).

The transparency principle does not apply to trade tax. Therefore, most of the partnerships are subject to trade tax. The tax rate corresponds to the rate which applies to corporations (see above). The same applies to restrictions with regard to the deduction of expenses (e.g. interest and rental expenses). If the foreign partner is an individual, a portion of the trade tax corresponding to his participation in the partnership may be credited (in whole or in part) against the partner's income tax liability. Pure asset managing partnerships can usually be structured in a way so that they are not subject to trade tax.

Interest income from a loan granted by a partner to its partnership is subject to taxation in Germany. This applies even if a double taxation treaty is in place subject to the proviso that the foreign partner may credit his foreign tax against his German income tax liability. Only pure asset managing partnerships can usually be structured in a way so that such interest income is not taxable in Germany.

With effect from the calendar year 2022, the German Corporate Income Tax Act provides a check-the-box option according to which a partnership may apply to be treated as a corporation for corporate income tax purposes.

d. Civil Law Partnership (GbR)

A civil law partnership (Gesellschaft bürgerlichen Rechts, GbR) is defined as an association of individuals or enterprises united in the achievement of a joint contractual purpose, suitable for start-ups and collaborative ventures. With new legal reforms effective 1 January 2024, a GbR now has the option to register in the newly established Gesellschaftsregister, gaining legal capacity (in this case the GbR is referred to as eingetragene Gesellschaft bürgerlichen Rechts, eGbR). This registration enables the GbR to hold assets, sue, and be sued in its own name, thereby limiting the direct personal liability of the partners which was previously unlimited to their private assets.

While registration is optional, it provides significant advantages for GbRs engaging in substantial commercial activities or requiring formal legal standing. Formation remains straightforward, requiring only a partnership agreement, recommended to be in writing. If the GbR engages in trade and surpasses certain thresholds, it may need to register as a general commercial partnership (Offene Handelsgesellschaft, oHG).

e. General Commercial Partnership (oHG)

The general commercial partnership (Offene Handelsgesellschaft, oHG) continues to be the classic partnership form for small and medium-sized enterprises (SMEs). Its structure corresponds to the civil law partnership (*GbR*).

Every GbR that runs a commercial enterprise (a business enterprise of a type or size requiring business operations to be set up in a commercial manner) automatically qualifies as an oHG. Accounting regulations for an oHG are stricter than those for a GbR.

New legislation, effective from 1 January 2024, introduces more flexible provisions for managing partner entries and exits, and handling insolvency, which enhances governance and succession planning. This reform allows partners greater autonomy in defining their operational and financial arrangements within the partnership agreement.

In order to establish an oHG, two or more partners must conclude a partnership agreement. It is advisable for the partnership agreement to be made in writing. All partners are jointly and severally liable for the oHG's debts and liabilities.

The oHG must be entered in the commercial register and registered with the local trade office. The application to the commercial register must be made by all partners and be certified and filed by a notary. The expenses for registration vary, but are about EUR 400. Fees for legal counsel are not included.

f. Limited Partnership (KG)

The limited partnership (Kommanditgesellschaft, KG) is a legal form related to the oHG, but with the option of limiting the liability of some of the partners. This legal form is suitable for medium-sized enterprises (SMEs) seeking additional start-up capital but wishing to limit individual responsibility.

At least one partner, the general partner (Komplementär), is personally liable without limitation. The liability of the limited partners (*Kommanditisten*) is limited to their respective share of the partnership capital. A KG offers greater flexibility compared to other forms of partnerships as the capital base can be increased by including additional limited partners. New legislation, effective from 1 January 2024, clarifies and streamlines the registration and management of changes within the partner structure, particularly regarding the entry and exit of partners and the process during insolvency.

A KG is established when a partnership agreement between two or more partners (including at least one limited and one unlimited partner) is concluded. It is advisable for the partnership agreement to be made in writing. The updated provisions offer increased flexibility in partnership agreements, enhancing the structure's adaptability to diverse business needs. The liability of the limited partner will only become limited once the registration of the KG and the subscribed partnership contribution has been entered in the commercial register (which is obligatory).

The application to the commercial register must be made by all partners and be certified and filed by a notary. The costs for registration vary but are about EUR 400. A KG must then be registered with the local trade office. Fees for legal counsel are not included.

g. GmbH & Co. KG

The GmbH & Co.KG is a limited partnership (KG) in which the general partner (Komplementär) is a limited liability company (*GmbH*). The GmbH is fully liable for the GmbH & Co. KG's debts and liabilities. The liability of the limited partners (*Kommanditisten*) is limited to their respective share of the partnership capital.

This hybrid form is suitable for entrepreneurs wishing to limit their liability while enjoying the flexibility of a non-incorporated business. Because of its flexibility, the legal form GmbH &

Co. KG is especially appropriate for medium-sized businesses and family companies.

The GmbH & Co. KG is established through conclusion of a partnership agreement between the general partner and the limited partners (advisably in writing). Typically, the shareholders of the general partner (GmbH) are identical to the limited partners of the KG.

In line with the registration formalities of the KG, the GmbH & Co KG must be entered in the commercial register and registered with the local trade office. The liability of the limited partner will become limited once the KG and the subscribed partnership contribution are registered in the commercial register.

The application to the commercial register must be made by all partners and be certified and submitted by a notary. The costs for registration in the commercial register vary but are about EUR 400. Fees for legal counsel are not included.

h. Branch Offices

Any foreign company with a head office and registered business operations outside of Germany can establish a German branch office. A branch office is a suitable business form for a foreign company wanting to establish a presence in Germany for the purpose of initiating business and maintaining contacts with business partners.

In Germany, there are two kinds of branch establishments which primarily differ due to the degree of the independence from the head office company:

- Autonomous Branch Office
- Dependent Branch Office

aa. Main Characteristics

A branch office has no independent or separate legal personality distinct from the head office itself. In legal and organizational terms, it is part of the head office business and is thus subject to the law governing the head office. In this context, the foreign head office company is fully liable to the extent of its own assets for any claims creditors might assert against the branch office. Any obligations or debts incurred by the branch office are also the legal responsibility of the foreign company.

bb. Taxation of Branch Offices

A branch office is subject to taxation in Germany if it is considered a permanent establishment according to the applicable double taxation agreement (DTA). An autonomous branch office is generally regarded as a permanent establishment, whereas a dependent branch office is only considered a permanent establishment under certain conditions.

A German permanent establishment of a foreign corporation is taxed in Germany according to German taxation rules for corporations (corporate income tax, solidarity surcharge and municipal trade tax).

(i) Autonomous Branch Office

- **Characteristics**

The autonomous branch office (selbständige Zweigniederlassung) fulfills tasks that exceed mere implementation and support-related tasks. It is dependent upon the head office company at the internal level but engages in business activities independently. However, the foreign head office company is liable for the business transactions concluded by the branch.

At the organizational level, autonomous branch offices are to a certain extent independent from the parent company and usually have the following attributes:

- Management with freedom to act according to their own judgement (i.e.

with full power of attorney and power to contract)

- Own capital resources and bank account
- Separate accounting

An autonomous branch office can use its own name affix (for example: XY Ltd., branch office, Berlin).

- **Setting Up an Autonomous Branch Office**

Foreign companies can set up an autonomous branch office in Germany if they are entered in a foreign commercial register (or a comparable directory).

The decision to establish a branch office must be made by the managing directors of the head office. The autonomous branch office must be entered in the commercial register and registered with the local trade office.

- **Registration with the Commercial Register**

The application for registration with the commercial register must include detailed information on the foreign company and generally be accompanied by a notarized copy of an excerpt of the commercial register showing the existence of the foreign company and the power of representation of the managing director(s) and the management board as well as from memorandum and articles of association. All documents should be in German certified translation and the notary's certificate must be authenticated.

- **Trade Office Registration**

The autonomous branch office must be registered with the trade office before business operations are started. A business license or permit is generally not necessary for registering the business. Only for some business sectors, a permit or authorization may be required. Trade office registration must be submitted on commencement of business at the latest.

(ii) Dependent Branch Office

A dependent branch office (*unselbständige Zweigniederlassung*) is a subordinate department of the head office company and does not have any autonomy from it. It focuses on maintaining contacts and initiating business in Germany.

The dependent branch office is not able to independently participate in the general business transactions of the head office. It performs support and implementation-related tasks without having any individual business discretion and is entirely dependent on the head office.

An individual company name cannot be used.

As a dependent branch office displays no autonomy vis-à-vis the head office of the company, it is not entered in the commercial register. The only formal requirement for a dependent branch office is registration with the local trade office, for which certain documentation on the foreign company is also necessary.

II. Business Registration

1. Entry in the Commercial Register

In the establishment phase of a company - and prior to assumption of commercial activities - a company only has to be registered with the public commercial register (Handelsregister) and the local trade office (Gewerbe-/Ordnungsamt). The registration creates transparency and also offers companies the highest level of security in their day-to-day business activities.

2. Companies Required to Register

Companies required to register are those which carry out a commercial business operation. This is determined by criteria such as the use of

commercial accounting, annual turnover, capital resources and total number of employees. As a rule, all status relevant actions of companies are subject to registration.

Small businesses, civil law partnerships (GbRs), freelancers and dependent branch offices do not have to be registered in the commercial register.

3. Registration Procedure

The application for registration in the commercial register is electronically filed in publicly certified form by a notary to the responsible commercial register.

As a rule, with types of company in which the entry in the commercial register is part of the act of establishment, the possible limitation of liability of the partner(s) is only effective subsequent to the time of the entry in the commercial register. If business is carried out prior to this point in time, partners can be liable for any losses of the company with their private assets (especially the case with corporations).

4. Registration Costs

The total cost of entry in the commercial register varies depending on the type of company. Costs incurred are made up of costs of the notarial certification and the fees charged by the district court for entry and publication in the Federal Gazette (Bundesanzeiger).

The cost for registration and publication in the commercial register for a partnership is currently at least EUR 300. For a GmbH, this amount is at least EUR 400, and for an AG at least EUR 500. Additional costs are incurred for the use of a notary and the fees for legal counsel.

The costs and notary fees are not levied on an arbitrary basis but are regulated by law. They largely depend on the number of partners and the share capital. Fees incurred by legal counsel are agreed separately.

5. Commercial Register Display

The commercial register is managed by the local court (*Amtsgericht*) where it is open to public view at no cost. In addition to this, the register can also be consulted online through the common register portal of the German federal states (*Gemeinsames Registerportal der Länder*)[1].

Some of the company data which is stored in the commercial register is also available electronically through the commercial register of the Federal Gazette (*Bundesanzeiger*).

Due to the harmonized EU Law, the documentation effort for European companies is fairly modest. For non-European companies it can be extensive, the exact details depend on the foreign company's residence. The application must be certified and submitted by a notary.

III. Transferring Assets

1. Capital

Capital can be moved in and out of Germany without any restrictions. However, amounts over EUR 12,500, or equivalent payments with valuables, must be reported to the German Central Bank (*Bundesbank*). These reports are for statistical purposes only. Forms can be obtained from the Bundesbank.

Reporting obligations for money transfers from abroad depend on the place of residence of the recipient/addresser: nationality is irrelevant. A person or company with a place of residence or business in Germany must report incoming and outgoing payments from abroad for all transactions over EUR 12,500. Alternately, an investor with a place of residence abroad does not have to register a capital transfer to an

[1] https://www.handelsregister.de/rp_web/welcome.do

account in Germany (even if the investor is the account holder).

Payments for the import or export of goods and details in connection with the granting, taking out, or repayment of loans with an originally agreed term of less than twelve months do not have to be reported. For statistical purposes, every person living in Germany and every company located there must also inform the Bundesbank of the ownership of securities or deposit accounts abroad.

Receivables or liabilities from companies (for example, banks) or private individuals abroad must be reported to the Bundesbank if they amount to more than EUR 5 million or equivalent.

For bank account deposits of more than EUR 10,000 cash, banks are required to check the identity of the depositor in order to prevent money laundering.

2. Goods and Machinery

Most goods and machinery can circulate freely within the EU. Customs, import turnover tax (*Einfuhrumsatzsteuer*), and in some cases, special excise taxes are charged for imports to Germany from non-EU states. The customs payable can be determined online using the TARIC (Integrated Tariff of the European Communities) system. Customs are not charged on investment goods if business operations have been transferred in full to Germany.

Household objects can also be imported into Germany freely if the owner moves place of residence from abroad to Germany. A customs exemption of this kind must be applied for in writing beforehand.