

Business Guide to North Rhine-Westphalia

Your investment location
No. 1 in Germany





North Rhine-Westphalia (NRW) Key Figures

Demographics

- Population: 18 million inhabitants, 528 inhabitants per sq. km
- Religion: Catholic (42 %), Protestant (28 %), Muslim (8 %), Other (22 %)

Government

- Form of Government: State Parliament, multi-party system
- Head of State: Minister President Hendrik Wüst
- State Capital: Duesseldorf
- Language: German
- National Holiday: October 3rd (German Unification Day)
- Currency: Euro (EUR)

Economy

- GDP: EUR 872 billion (2024)
- GDP per capita: EUR 48,177 (2024)
- Exports: EUR 223.2 billion (2024)
- Imports: EUR 280.9 billion (2024)

Geography

- Area: 34,112 sq. km
- Five UNESCO World Heritage Sites
- Important Rivers: Rhine, Maas, Weser, Ems, Ruhr
- Biggest Cities: Cologne, Duesseldorf, Dortmund, Essen and Duisburg
- Most important metropolitan areas: Ruhr region, Rhineland

Infrastructure

- Two major international airports as well as four airports with European connections, 120 Inland Ports
- Railways: 6,000 km
- Waterways: 720 km
- Expressways: 2,200 km

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#NRWorldWide



Preface

An Attractive Location in Europe

Germany, Europe's largest economy, and in particular the economically most important state of North Rhine-Westphalia, offers attractive economic conditions for foreign investors and act as a gateway to the European market.

Around 24,000 foreign companies have already invested in NRW and control their German or European activities from here. These include global players such as 3M, BP, Ericsson, Ford, UPS, QVC, Toyota and Vodafone. Foreign companies have thus become an important employer in the state, providing jobs for about one million people.

The trade and investment agency of the state of North Rhine-Westphalia, NRW.Global Business GmbH, is a one-stop agency for interested foreign companies wishing to settle in North Rhine-Westphalia and to invest here. Our experts analyze investment projects and offer suitable locations for them in North Rhine-Westphalia. We arrange appointments for negotiations with all those involved in the approval process of an investment and accompany them to their successful conclusion. For investors who have already set up business in North Rhine-Westphalia, we provide particular assistance with expansions, startups and spin-offs.

It gives us pleasure to support you with our "Business Guide to North Rhine-Westphalia" on your path into North Rhine-Westphalia. We want you to operate successfully here and feel at home for a long time.

NRW.Global Business

Trade & Investment Agency

of the German State of North Rhine-Westphalia (NRW)

Coming to North Rhine-Westphalia

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Germany distinguishes between different kinds of residence titles for specific purposes subject to the length of stay and the intended (business) activity in Germany.

Residence titles include Schengen and national visas, residence and settlement permits.

A Schengen visa is sufficient for conducting most business and administrative activities that need to be organized prior to locating to Germany. It authorizes the holder to enter and stay in Germany for a temporary period (up to 90 days in any 180-day period).

A residence or settlement permit authorizes the holder to stay for the long term (i.e. more than 90 days in any 180-day period) or to work on a self-employed basis or as an employee in Germany.

Who Needs a Visa?

EU Nationals

The type of residence title needed depends on the person's country of origin, the length of the intended stay and the intended business activity in Germany.

Generally, citizens of the European Union (EU), the European Economic Area (EEA), may enter, stay, and work in Germany without any visa. They only have to register at the local registration office (Einwohnermeldeamt), e.g., if they change their residence to Germany. Swiss nationals have to notify the local immigration office about their long-term stay in order to get a residence permit certifying their right to free movement.

For British citizens, Brexit-related information can be found at the website of the [Ministry of the Interior, Building and Community](#).

Non-EU Nationals

Citizens of non-EU countries generally require a visa to enter, stay, and work in Germany.

For short-term stays in Germany (stays not exceeding 90 days within any 180-day period) a Schengen visa is needed for entry into Germany. A Schengen visa is generally sufficient for most steps required to establish a business in Germany.

Where the duration of the stay exceeds 90 days (within any 180-day period) or an occupation (self-employed or gainful employment) taken up, all non-EU citizens require a residence permit (Aufenthaltserlaubnis) or settlement

permit (Niederlassungserlaubnis). For this purpose, the German embassies or consulates issue a national visa for entering Germany which is “transferred” into a residence or settlement permit in Germany.

Types of Visa	Needed for	Visa required	Required for
Schengen Visa	Stays in Germany for up to 90 days within any 180-days period	Schengen Travel Visa (for business persons in the form of a “business visa”)	Entrepreneurs setting up businesses
National Visa	• Stays in Germany exceeding 90 days • Stays in Germany with the intention of taking up gainful occupation	Residence permit for the purpose of self-employment	Entrepreneurs running the business in Germany
National Visa	• Stays in Germany exceeding 90 days • Stays in Germany with the intention of taking up gainful occupation	Residence permit for the purpose of taking up employment	Employees working in Germany

Nationals of certain countries do not require a visa for entry into or short-term stays in Germany. The Federal Foreign Office (Auswärtiges Amt) provides detailed information on [entry requirements into Germany](#).

Residence Permit and Settlement Permit

Entrepreneurs from non-EU countries require a residence permit (Aufenthaltserlaubnis) or a settlement permit (Niederlassungserlaubnis) if they want to run a business in Germany on-site or if they are employed in Germany.

Visa Application Process

What Prerequisites Need to be Met for a Visa?

When applying for a visa, foreign nationals are obligated to prove that they have:

- a passport valid for another three months after leaving Germany
- documents verifying the intended purpose of the stay in Germany
- a health insurance policy valid for all Schengen states providing medical coverage equivalent to the value of at least EUR 30,000 (including return transportation)

- sufficient financial means to cover all costs of the trip to and stay in Germany

For detailed information on visa regulations please refer to the website of the [German Federal Foreign Office](#) and the competent German embassy or consulate.

Where to Apply For a Visa?

For most foreign nationals, visas have to be obtained prior to entering Germany in their respective home country. The German embassies or German consulate are responsible for receiving applications and issuing the visa. They provide visa application forms in various languages free of charge.

It is also possible to download visa application forms in different languages for free from the website of the German Federal Foreign Office (Auswärtiges Amt).

Applications for a Schengen visa may also be submitted online via the electronic application acquisition system of the Federal Foreign Office.

Who Will Issue the Visa?

Visas are issued by the German embassy or consulate in the country where the visa application has been made. Foreign nationals applying for a residence permit for the purpose of self-employment or taking up employment receive the permission to enter Germany (national visa) from the German mission abroad.

However, upon entering Germany, foreign nationals with a national visa have to contact the responsible local immigration office (Ausländerbehörde) in Germany which issues the respective residence permit for the purpose of self-employment or taking up employment.

Some non-EU nationals may enter Germany without any visa. Any required residence title permitting long-term stays and work (self-employed or employed) can be applied for and issued by the local immigration office in Germany. This applies to citizens from Australia, Canada, Israel, Japan, New Zealand, South Korea, UK, and the United States.

Visas for Setting up Business in Germany

For most activities related to setting up of a business in Germany, a Schengen visa is sufficient for most non-EU nationals.

Establishing a Business with the Schengen Visa

For non-EU nationals, a Schengen visa is generally sufficient for most steps which are required to establish a business in Germany (usually called a „business visa“ in this context).

A Schengen business visa is sufficient for most activities in the company formation phase. It enables its holder to stay in Germany for up to 90 days, during which time all fundamental establishment activities can be performed.

These include:

- The conclusion and notarization of the articles of association
- Application for entry in the commercial register (Handelsregister) through a German notary
- Trade registration
- Other preparatory activities during the business establishment phase (such as opening a bank account or the conclusion of rental agreements)
- Negotiations and the conclusion of contracts with business partners

Citizens of certain countries may stay in Germany for up to 90 days (in any 180-day period) without a Schengen visa. Setting up a company in Germany using a Schengen visa does not alone warrant residence permit issue at a later date. If necessary, a residence permit for self-employment or employment should be applied for in due time. A residence permit must also be applied for if the incorporation phase exceeds 90 days.

What Is Needed When Applying for a Schengen Visa?

Schengen visa applicants (business visa applicants) will usually be asked to present certain documentation such as:

- a letter of invitation by the German business partner
- documentation of employment and salary certificate
- a letter from the applicant's employer confirming the business purpose of the trip
- proof of travel health insurance

Where the entrepreneur personally applies for a Schengen visa (or business visa), documents such as a copy of the foreign company's entry in the foreign commercial register, articles of association, and bank statements from the last three months may also be required. German embassies and consulates, as well as Visa Application Center worldwide offer checklists and fact sheets with detailed information.

Residence Permit for Running the Business On-Site

Entrepreneurs from non-EU countries managing a company on-site in Germany in a self-employed capacity require a residence permit for the purpose of self-employment.

The Residence Permit for the Purpose of Self-Employment

Business operators who are from non-EU countries and who manage their company on location in Germany as a self-employed person require a residence permit for the purpose of self-employment (Aufenthaltserlaubnis für selbständige Tätigkeit).

This is generally issued if:

- an economic interest or a regional need regarding the intended business activity exists,
- positive economic consequences are to be expected from the investment project,
- the planned investment has secure financing in place.

The local immigration office (Ausländerbehörde) individually assesses to what extent these criteria are met. It takes into account the following aspects:



The immigration office consults the local trade office (Gewerbeamt) as well as local trade and business associations, e.g. local Chambers of Industry and Commerce (Industrie- und Handelskammer) or the Chambers of Skilled Crafts (Handwerkskammer).

Who is Considered to be Self-Employed?

Foreign business operators are considered to be self-employed if they are, for example:

- Sole traders (including freelance professions)
- Partners in a partnership
- Managing partners who are no employees of the company
- Managing directors or managerial employees with proxy or full power of attorney who personally carry a business risk

The Settlement Permit

A residence permit for the purpose of self-employment is limited to a maximum of three years.

If the investment project is successful (and success and subsistence appear to be secure over the long term), after three years it is possible to apply for a settlement permit (Niederlassungserlaubnis).

A settlement permit is unrestricted in time and place and automatically includes the right to take up gainful employment.

Residence Permit for Employees

Germany's Skilled Immigration Act is opening up the German labor market to skilled workers. Further facilitation is planned for in 2023. The Act stipulates the conditions under which qualified professionals from outside the EU can work in Germany. Non-EU-citizens who would like to work in Germany still require a residence permit for employment.

Besides this legislation, instruments such as the EU Blue Card and ICT Card provide further options for foreign employees to access the German labor market.

Qualified Professionals

Qualified professionals include university graduates and persons who have successfully completed vocational training for at least two years.

In general, residence permits for qualified professionals are issued where the following requirements have been met:

- applicants have a qualification officially recognized in Germany,
- a concrete job offer, and
- approval from the Federal Employment Agency (FEA).

In addition, a license must exist or be confirmed for professions that require a professional license, e.g. engineers and medical professions.

Qualified professionals can be granted a residence permit for up to four years. A permanent settlement permit can be granted after four years.

Accelerated Administrative Procedure

The Skilled Immigration Act features an [accelerated administrative procedure](#) for an additional fee.



For general information on how to apply for a residence permit, please refer to the visa application process section.

Official Recognition of Qualification

Employee qualifications (academic and vocational) not obtained in Germany must be checked for equivalence with German qualifications and officially recognized before coming to Germany.

An exception is made for IT specialists with an annual salary of at least EUR 52,560 (2023), having gained at least three years of relevant professional experience during the past seven years.

The Central Service Point for Recognition has a pilot function in informing about the recognition procedure and serves as a central contact to applicants during the recognition process. The recognition procedure takes place at the federal state level and the competence of an authority depends on the specific qualification.

Please see the [Recognition in Germany portal](#) for further information on the recognition of foreign professional qualifications.

Approval from the Federal Employment Agency

The Federal Employment Agency (FEA) must issue its approval before a foreign employee can be hired in Germany.

An approval may be issued if a foreign employee is hired on the same terms and conditions of employment as comparable German employees (especially in terms of wages and working hours). Moreover, the skilled worker must be employed in a role appropriate to his/her qualifications.

The FEA also checks if a domestic employment can be demonstrated in the specific case. Please see the FEA website (link: <https://www.arbeitsagentur.de/en/german-labour-market>) for further information about the approval procedure.

Certain professional groups have a right to a residence permit without requiring the approval of the FEA. These include, among others:

- Scientific research personnel
- EU Blue Card applicants
- EU Blue Card applicants

Senior Executives, Managing Directors and Specialists

A residence permit may also be granted to:

Senior executives

Members of a body legally representing a legal entity (e.g. managing director of a GmbH) Persons who have specialist knowledge – with particular relevance for the company – for the carrying out of a domestic qualified employment.

An approval from the Federal Employment Agency (FEA) is also required for these group of employees.

The FEA approval may be granted if an employment status exists and if the foreign employee is hired on the same terms and conditions of employment as comparable German employees.

The FEA performs an overall assessment of the individual case. A specific professional qualification is not required.

The EU Blue Card

The EU Blue Card allows qualified professionals with a university degree to be fast-tracked into employment in Germany.

Once a German EU Blue Card has been obtained, a permanent settlement permit can be granted within 33 months – or after 21 months if the foreign citizen has attained a certain German language skill level.

CHECKLIST

- ✓ German university degree (or a proven comparable qualification)
- ✓ Proof of a job contract
- ✓ Annual gross salary of at least EUR 45,300 (2024)
- ✓ Appropriate employment

! Annual gross salary level is lower than EUR 41,042 (2024) in professions with a particular skill shortage

➔ Approval of the Federal Employment Agency

ICT Card

Germany facilitated long-term intra-corporate transfers of specific staff categories by introducing the "ICT Card."

The ICT Card complements other existing relaxed measures for specific groups of employees temporarily posted to Germany. The ICT card enables an intra-corporate transfer from a sending entity outside of the EU to a host entity in Germany. Both entities must be a part of the same company or company group.



! Must have been employed in the sending unit for at least six uninterrupted months immediately preceding the transfer.

The duration of the transfer must exceed 90 days and last up to a maximum of three years. Moreover, the work contract and, if necessary, the assignment letter e.g. need to state details of the transfer and proof of the employee's professional qualification. The ICT card requires a FEA approval. The ICT card has to be applied for at the German embassy or consulate general abroad – this also applies for Australian, Canadian, Israeli, Japanese, New Zealand, South Korean, UK and US nationals.

The short-term mobility of non-EU nationals in possession of an ICT card issued by another EU state has also been relaxed. Under specific conditions, this employee category may be able to work at a German company (belonging to the same company or the same group of companies) for up to 90 days within any 180-day period without a German residence permit. A notification including specific evidence to the German Federal Office for Migration and Refugees is required.

Residence Title for Partner and Children

Family members of foreign nationals may live in Germany if the foreigner possesses a settlement permit or a residence permit and if sufficient living space is available.

Spouses of foreign nationals can for instance claim a residence permit if the foreigner possesses a settlement permit or a residence permit for the purpose of self-employment. Additionally, the marriage must have already existed at the time the foreigner was granted the permit and the duration of the foreigner's stay is expected to exceed one year. If the foreigner possesses a residence permit for the purpose of economic activity (employed or self-employed), the spouse may take up work as well.

If these requirements are not met, it is still possible for a residence permit to be granted on a discretionary basis. Children (under 18 years of age) of a foreigner can claim a residence permit if both parents hold a residence permit or settlement permit, and if the children relocate to Germany with their parents.

NRW International Offices

Foreign investments require thorough preparation by the companies involved. This is why the state-owned economic development agency NRW.Global Business assists and advises foreign investors long before they arrive in Germany. Besides two subsidiaries in the USA and Japan, NRW.Global Business operates representative offices in China, India, Israel, Korea, Poland, Turkey and the United Kingdom. Potential investors can therefore already receive advice from location experts in their own country – ranging from economic data on North Rhine- Westphalia, Germany and Europe through potential locations and spaces to network contacts and information about possible promotion programs.

NRW.Global Business Japan / Tokyo (NRW Japan K.K.)

Dr. Carolina Kawakubo
Phone: +81 3 52102300
Email: contact@nrwglobalbusiness.co.jp
www.nrwglobalbusiness.co.jp

NRW.Global Business (North America) LLC/Chicago

Helena Gittelman
Phone: +1 312 6297500
Email: helena@nrwglobalbusiness-usa.com
www.nrwglobalbusiness.com

NRW.Global Business (North America) LLC/West Coast

Jörg Rose
Phone: +1 424 262 6221
Email: joerg@nrwglobalbusiness-usa.com
www.nrwglobalbusiness.com

NRW.Global Business (North America) LLC/South East

Daniel Dueren
Phone: +1 229-460-6104
Email: daniel@nrwglobalbusiness-usa.com
www.nrwglobalbusiness.com

NRW.Global Business China/Beijing

Xingliang Feng
Phone: +86 10 65907066
Email: beijing@nrwglobalbusiness.cn
www.nrwglobalbusiness.cn

NRW.Global Business China/Guangzhou

Jie Liang
Phone: +86 20 32215613
Email: guangzhou@nrwglobalbusiness.cn
www.nrwglobalbusiness.cn

NRW.Global Business China/Nanjing

Xiadong Wang
Phone: +86 25 52270000
Email: nanjing@nrwglobalbusiness.cn
www.nrwglobalbusiness.cn

NRW.Global Business India/Bangalore

Ambika Banotra
Phone: +91 9110215076
Email: ambika.banotra@nrwglobalbusiness.co.in
www.nrwglobalbusiness.com

NRW.Global Business Israel/Tel Aviv

Gabriele Tabach
Phone: +972 3 6806800
Email: gabriele@nrwglobalbusiness.co.il
www.nrwglobalbusiness.com

NRW.Global Business Poland/Warsaw

Oliver Burrak
Phone: +48 572 703 062
Email: burrak@nrwglobalbusiness.pl
www.nrwglobalbusiness.com

NRW.Global Business Turkey/Istanbul

Akın Okumuş
Phone: +90 212 2491848
Email: info@nrwglobalbusiness.com.tr
www.nrwglobalbusiness.tr

NRW.Global Business United Kingdom/London

David Schneider
Phone: +44 7551284735
Email: d.schneider@nrwglobalbusiness.uk
www.nrwglobalbusiness.com

Company Set Up

- Setting Up a GmbH
- "Mini-GmbH" (Limited Liability Entrepreneurial Company)
- Branch Offices
- Other Company Forms

Setting up a German market presence requires a legal structure. Expanding foreign companies generally opt to establish a local subsidiary or register a local branch office.

A subsidiary is an independent company established and predominantly held by another company (parent company). Foreign companies often choose the private limited liability company option (Gesellschaft mit beschränkter Haftung – GmbH) for local subsidiary formation. The main reason for the popularity of a subsidiary in the form of a GmbH is the separate limited liability, which this company form offers.

A branch office forms part of the foreign head office company's organization. There are two kinds of branch establishments: the autonomous and dependent branch office. These differ primarily due to the degree of independence from the head office company.

Setting Up a GmbH

The German limited liability company (Gesellschaft mit beschränkter Haftung, GmbH) is the most widely used legal form for corporations. It combines high flexibility with relatively few obligations. Corporations like the GmbH based in Germany or with an executive board in Germany are liable to corporate taxation on globally generated income. Setting up a GmbH is easy and uncomplicated and can be accomplished in just a few steps.

Five-step formation process

In order to establish a GmbH in Germany, at least one shareholder (private individual or legal entity) is required. The nationality and residence of the shareholder(s) and the managing director(s) of a GmbH are irrelevant. However, the GmbH must have a German business address and a local representative.

The involvement of a [German notary](#) is required for the incorporation of a GmbH.

Certain documents are required for the incorporation of a GmbH. Typically, the notary will ask for documentation verifying the existence of any parent company as well as the power of representation for persons acting on behalf of it. In general, an excerpt from the foreign commercial register as well as articles of association of the foreign parent company are required.

Five steps to incorporate a GmbH in Germany



Source: Germany Trade & Invest

Please note that specific requirements regarding authentication and translation apply, depending on the legal form and origin of the foreign company. It is advisable to consult a German notary at an early stage for individual advice.

Online formation

From August 2022 onward, online formation of a GmbH by way of cash contribution will be possible – enabling a remote and faster incorporation procedure.

The online notarization takes place in a video conference between the notary and the parties involved. [The German Federal Chamber of Notaries](#) provides a video communication system with a two-step identification procedure that requires an electronic proof of identity (eID).

The following German eIDs meet the current requirements for secure identification within the online formation procedure:

- [German national ID cards](#) with eID function (for German nationals)
- [German eID cards](#) (for EU/EEA citizens)
- [German electronic residence permits](#) with eID function (for nationals of third countries)
- Electronic identification schemes issued by another EU/EEA member state in accordance with the eIDAS regulation and a corresponding high assurance level

The signatures required for the incorporation are obtained by means of a qualified electronic signature.

Articles of association

The articles of association shape the identity and constitution of the company. Thanks to the large scope for contractual design, the GmbH is a very flexible corporation form. Mandatory content includes share capital, shareholders and respective shares held, business name, registered office, and company purpose.

For a standardized formation of a GmbH, [model articles of association](#) (for set-ups by cash subscription with a maximum of three shareholders and one managing director) are provided. These articles must still be notarized, but for a reduced fee. In addition, sample deeds are also provided by the chambers of industry and commerce (Industrie-und Handelskammer, IHK).

Share capital of a GmbH

The GmbH requires a minimum share capital of EUR 25,000. 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. The capital is not a deposit and, to certain extent, can be used for the company's business operations.

The share capital can also be contributed in kind (e.g. real estate or patents). A contribution in kind must be agreed upon in the articles of association, a valuation report is necessary, and the asset must be fully contributed.

Registration of the new company

Registration with the [German commercial register](#) via a German notary is mandatory. From August 2022 onward, online procedures allowing commercial register applications will be significantly extended.

Once registered in the commercial register, the GmbH becomes a legal entity and the limited liability exists.

Before business operations are started, the competent local trade office (Gewerbe-/Ordnungsamt) must be notified about the planned activity. A business license or permit is not necessary for registering the business in the majority of cases. In some sectors, a permit or authorization might be required.

"Mini-GmbH" (Limited Liability Entrepreneurial Company)

The Mini GmbH (Unternehmergesellschaft UG, haftungsbeschränkt) is a start-up version of the GmbH with a share capital of less than EUR 25,000. It is often referred to as "Mini-GmbH".

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

Mini-GmbH formation

The Mini-GmbH is generally subject to the same legal duties and rights as the standard GmbH (excepting the above-mentioned specific provisions). The formation procedure is also the same as that for a standard GmbH. However, the share capital has to be contributed fully and contributions in kind are not possible when establishing a Mini-GmbH.

For uncomplicated standardized formation of a Mini-GmbH, [model articles](#) are provided. These articles must still be notarized, but for a reduced fee.

Branch Offices

Any foreign company with a head office and registered business operations outside of Germany can register 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

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. For instance, an autonomous branch office usually has its own management with executive powers, a separate bank account, and accounting as well as independent business assets.

Foreign companies can register an autonomous branch office in Germany if they are entered in a foreign commercial register. The autonomous branch office must be entered in the [commercial register](#) (Handelsregister) and registered with the local trade office (Gewerbeamt). From August 2022 onward, [online procedures of commercial register applications](#) will be significantly extended. The involvement of a [German notary](#) is required. Documentation verifying the existence of the head office company as well as the power of representation for persons acting on behalf of it is needed for the registration.

A business license or permit is not necessary for registering the business in the majority of cases. In some sectors, a permit or authorization might be required.

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.

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. A business license or permit is not necessary for registering the business in the majority of cases. In some sectors, a permit or authorization might be required.

Branch office taxation

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

The profit attributable to a German permanent establishment of a foreign corporation is taxed in Germany according to German taxation rules for corporations. Special rules apply for tax returns and income determination for permanent establishments.

Other Company Forms

Stock corporation (AG)

The German stock corporation (Aktiengesellschaft, AG) is a company form intended for larger companies with a large number of shareholders. Eligibility for a stock exchange listing and the easy assignability of the shares makes it ideal for attracting capital. In contrast to the GmbH, the founding and organizational formalities of an AG are relatively numerous and inflexible due to mandatory rules. This said, the AG form enjoys a high market reputation.

The AG requires a minimum share capital of EUR 50,000. The articles of association need to be certified by a notary. Legal consultation is advisable for drawing up the articles of association.

The AG can be established by one or more persons. Founding shareholders can either be natural or legal persons.

Partnerships

Besides corporations such as the GmbH or AG, there are also different forms of partnerships.

Characteristic for a partnership is the personal commitment of the partners to their working efforts in the partnership. 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. Any partnership requires at least two partners.

There are four major forms of partnerships in Germany. Their main difference lies in the liability of their partners and required registration obligations.

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

A customs exemption of this kind must be applied for in writing beforehand.

Incentive Programs

- Grants for R&D
- Grants for Hiring Personnel
- Equity from Public Sectors
- Low-Interest Loans
- Public Loans, Public Guarantees

Germany offers numerous incentives for foreign investors. There is a variety of programs available, designed to fit the needs of economic activities at different stages of the investment process.

Incentives Programs

Incentives Programs in Germany

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

Each incentives program defines industries as well as forms of investments (e.g. greenfield projects or expansions) eligible for funding. Each program has also a set of criteria (such as company size, planned investment project location, etc.) which determine individual investment project incentive levels. Foreign investors are subject to exactly the same conditions available to German investors.

Incentives support ranges from cash incentives to labor-related and R&D incentives. Find out how your investment project can benefit from public funding.

Regional Economic Development Program North Rhine-Westphalia

North Rhine Westphalia offers for settlement projects with significant regional economic effects in the structurally weak regions of the state Regional Economic Development Program North Rhine Westphalia (RWP).

Who receives support?

- Commercial enterprises in special promotion areas of the state. The promotion areas are defined as C1, C2 or D-areas; please refer to the map on the next page.

What is supported?

"Significant regional economic effects" means:

- Investments secure or create jobs and have an investment volume of at least 150.000€ (as alternative: wage cost subsidies are possible for small and medium-sized enterprises),
- Special investment projects in connection with depreciation,
- Investment projects with R&D and climate protection reference (transformation projects)

What form does this support take?

- Support is granted in the form of non-repayable subsidies.

How much support is provided?

- In C1-areas:
 - small enterprises (less than 50 employees and with annual sales or annual balance of max. 10 million €) can enjoy subsidies of up to 30 %.
 - medium-sized enterprises (less than 250 employees; annual sales max. 50 million € or annual balance of max. 43 million €) can enjoy subsidies of up to 20 %.
 - large enterprises can receive up to 10 %, but only up to a maximum of 12.375 million €, provided they create at least 30 new jobs.
 - percentages may be raised by 5 % under certain conditions (f.e. startups)
 - Please note: Other subsidy rates for transformation projects (see below)

- In C2-areas:
 - small enterprises (less than 50 employees and with annual sales or annual balance of max. 10 million €) can enjoy subsidies of up to 25 %.
 - medium-sized enterprises (less than 250 employees; annual sales max. 50 million € or annual balance of max. 43 million €) can enjoy subsidies of up to 15 %.
 - large enterprises can receive up to 5 %, but only up to a maximum of 8.25 million €, provided they create at least 30 new jobs.
 - percentages may be raised by 5 % under certain conditions
 - Please note: Other subsidy rates for transformation projects (see below)

- In D-areas:
 - small enterprises can enjoy up to 20 %
 - medium-sized enterprises 10 % and
 - large enterprises, but only up to a maximum of 300,000 € (de minimis).
 - Please note: Other subsidy rates for transformation projects (see below)

Subsidy rates for transformation projects in all funding areas can reach up to 50% for environmental protection effects, and up to 40% for energy efficiency effects and up to 45% for energy production from renewable energies. Please note that one the additional investment cost are eligible. The subsidiary rates for the own energy production from renewable energies amount to 50%. For special investments in the field of key technologies grants of up tp 40% are possible until December 31, 2025. All these subsidiary rates vary depending on the size of the company (TCTF).

Example RWP calculation:

A medium sized company invests 40 million € and creates 45 jobs. According to NRW-provisions, the calculation equivalent of each job is 600,000 €.

45 jobs $\times$ 600,000 € = 27 million €. This is the base value for the calculation, as the investment volume in this case exceeds this amount.

As the company will invest at a location in a C1-area, 20 % can be applied = 5.4 million € incentive amount.

In case the same company would invest in a D-area, the incentive amount would be 2.7 million €, as in D-areas only 10 % of the eligible amount can be disbursed.

Example RWP calculation:

45 jobs × 750,000 € = 33,750,000 €

- Base value for the calculation

Company will invest at a location in a C1-AREA



20% applicable = **6,750,000 €**
incentive amount



Company will invest at a location in a D-AREA



10% applicable = **3,375,000 €**
incentive amount

C- and D-subsidy-areas in North Rhine-Westphalia SINCE 2022



Subsidy areas of the joint Federal government scheme for improving regional economic structures



Contacts

Applications have to be submitted to NRW.BANK before the start of investment.

NRW.BANK

Advice Center Rhineland

Kavalleriestraße 22, 40213 Düsseldorf, Germany

Phone: +49 211 917414800

E-Mail: info@nrwbank.de

Branch Office of NRW.BANK in Münster

Advice Center Westphalia

Friedrichstraße 1, 48145 Münster, Germany

Phone: +49 251 9174010

E-Mail: info@nrwbank.de

www.nrwbank.de

NRW.Global Business can accompany the application und procedure.

NRW.Global Business GmbH

Trade & Investment Agency of the German State of North Rhine-Westphalia

Völklinger Str. 4, 40219 Düsseldorf, Germany

Phone: +49 211 13000-0

E-Mail: nrw@nrwglobalbusiness.com

NRW.BANK Development Programs

NRW.BANK offers a wide range of financial support for existing companies, business start-ups and to ensure company survival: investment grants, subordinated loans, venture capital and releases from liability.

Grants for R&D

Different Types of R&D Incentives

R&D projects can count on numerous forms of financial support. There are many programs allocating R&D grants, interest-reduced loans, and special partnership programs.

Research and development (R&D) is considered to be among the most important areas for the development of the German economy. Industry and the public sector have made a commitment to spend around 3.5 percent of national GDP per year on R&D activities until 2025.

R&D incentives programs generally provide money for R&D project personnel expenditure. Other costs for instruments and equipment may also be eligible if they can be clearly assigned to the relevant R&D project (if such instruments and equipment are used beyond the lifetime of the R&D project, only the depreciation costs for the duration of the R&D project are considered eligible).

How to Profit from Public R&D Spending

To participate in R&D funding programs, companies must define an R&D project with clear objectives and a fixed time line. The project application should highlight the innovative character of the project and the technological risks involved.

An application for R&D funding also has to set out a commercialization plan, detailing how research results will be transformed into products, processes or services which generate additional turnover and/or employment in the region where the R&D project is located.

The total amount of incentives a project may receive depends on the size of the company (small, medium-sized, or large), whether the project is conducted in cooperation with other companies or research institutes, and the research category of the project. The research category expresses the scope of the intended project.

Research Categories

- There are three basic research categories:
- fundamental research (experimental or theoretical work aimed at gaining new knowledge)
- industrial research (research with a specific practical objective aimed at improving existing products, processes, or services)
- experimental development (research aimed at producing drafts, plans, and prototypes)



Germany's High-Tech Strategy 2025

All research programs financed by the German federal government have been concentrated within the federal High-Tech Strategy.

The High-Tech Strategy 2025 defines specific lead markets and priorities as well as key technologies with a high

dependency on ongoing high-tech research and development – each of these consists of a number of different R&D programs. The federal government periodically calls for R&D project proposals for specific research topics followed by a competition of best project ideas.

R&D projects in the form of non-repayable project grants. Grant rates can reach up to 50 percent of eligible project costs. Higher rates may be possible for SMEs. Cooperation between project partners, especially between enterprises and research institutions, is usually required.

Focus: SME Participation

A specific funding scheme called „KMU-innovativ“ focuses on the participation of small and medium-sized companies (SMEs) within the High-Tech Strategy 2025 technology focus. Funding applications within the framework of the „KMU-innovativ“ scheme are possible on an ongoing basis and are not connected to a specific research topic.

In addition, a number of national programs without a specific technological focus also exist. The Central Innovation Program for SMEs (Zentrales Innovationsprogramm Mittelstand, ZIM) is the most important one. Application for incentives under these programs is possible at all times and without any prior calls for proposals or application deadlines.

EU R&D Grants

The European Union (EU) offers support to R&D projects in the current 2021–2027 funding period in form of its Research and Innovation funding program „Horizon Europe“. With a budget of more than EUR 95 billion Horizon Europe is the world's largest funding program for research and innovation.

Horizon Europe support is usually provided to R&D projects operating on a transnational level with at least three project partners from different European countries. Support is allocated in the form of grants covering 100 % of R&D project expenditures (70 % of innovation project expenditures) plus a 25 % flat rate for indirect project costs.

Application Procedure

Applications are submitted in the form of a proposal by all transnational project partners (so-called “Consortium”). The EU issues calls for proposals announcing the research area, eligibility guidelines, and the available budget. Calls for proposals are published on the Horizon 2020 Participant Portal. Project proposals (= program applications) must be submitted via this portal.

R&D Tax Credits in Germany

Companies with tax status in Germany and performing R&D activities are eligible for a tax credit of up to EUR 1 million annually.

From January 1, 2020, Germany's new Tax Credit Act allows for tax credits for companies performing R&D activities.

The eligible expenditure is the cost to company of salaries paid to employees working on the project, with the tax credit set at 25 percent of eligible costs to a maximum of EUR 4 million (until December 31, 2025).

Projects are eligible for the credit as long as they fall under one of the three research categories mentioned above.

Companies wishing to apply must get a certificate from certifying body tax credit for R&D projects determining whether a project is eligible. The financial office responsible for the audit of the company reports will process the certification and the financial aspects of the application along with the company's financial reports.

Grants for Hiring Personnel

Four Main Groups of Labor-Related Incentive Programs

Labor-related incentives play a significant role in reducing the operational costs incurred by new businesses. Germany's Federal Employment Agency (Bundesagentur für Arbeit) and the German states offer a range of labor-related incentives programs designed to fit the different company needs when building a workforce.

The range of programs offered can be classified into four main groups: programs focusing

- on recruitment support,
- training support,
- wage subsidies,
- and on-the-job training.

Labor-related incentives programs for company needs when building a workforce



Germany Trade & Invest Research 2022

Labor-related incentives are available throughout Germany; independent of factors such as company size, industry sector, or investment project location. Programs can be carried out and adjusted by local authorities according to investor needs – usually in close cooperation with the investor.

Matching Personnel: Recruitment Support

With over 800 local job centers located throughout Germany, the Federal Employment Agency assists companies in finding new employees. Regardless of the qualification or experience level required, the job centers offer highly competent and professional services as well as market expertise to help identify prospective employees in all sectors.

Assistance provided covers everything from job vacancy advertising and preselection of candidates. Because the job centers are governmental institutions, all services are provided entirely free of charge.

Enhancing Qualification Measures: Training Support

Prospective employees often need to participate in appropriate training measures before operating machinery and technical equipment. Such measures can be organized and administered by external specialist institutions. In general, the costs for training programs of this nature can be covered by up to 100 percent by regional program managing authorities.

Supporting Integration: Wage Subsidies

Wage subsidies aim at helping job seekers experiencing difficulties securing work (e.g. as a result of long-term unemployment). Employers can be granted a direct cash payment paid as a proportion of the employee's wage. Grants can account for up to 50 percent of wage costs including social benefits. They may be granted for a period of up to twelve months. When hiring long-term unemployed people who have disabilities or who are older, wage subsidies can be raised to a maximum 70 percent of wage costs paid for a period of up to 96 months.

Wage subsidies are generally allocated if investors provide long-term employment contracts. Note that wage subsidy applications should be made in advance of the work contract being signed.

Advancing Professional Development: On-The-Job-Training

The German states and the European Social Fund (ESF) offer a variety of on-the-job training programs. Companies can be supported with subsidies covering up to 50 percent of all training costs. Authorization by the European Union (EU) is required if the amount awarded to a single company exceeds EUR 2 million.

Equity from Public Sources

Start-ups and technology companies are often financed by a high degree of equity. However, equity also represents an efficient method of business activity financing for companies from the classical industry sectors. In Germany, equity from public sources is available from a number of different investor channels.

Choosing Appropriate Public Equity Capital Providers

Depending on a company's growth phase status as well as its industry sector, different amounts of equity capital will be needed.

Start-ups are normally looking for seed financing for market entry. In this case, the selection of a venture capital provider is a suitable solution.

Growing enterprises with a sound track record usually need higher amounts of capital in order to further expansions. MBGs (Mittelständische Beteiligungsgesellschaften/Public-Private Equity Companies) are in place to offer higher volumes of capital for expansion financing. So called "pitch events" are one way of getting in touch with venture capital companies.

Enterprises in a later stage of development are often contacted directly by providers of equity capital looking for investment opportunities. They may also contact equity capital providers directly.

High-Tech Gründerfonds and coparion

The High-Tech Gründerfonds (HTGF) is the largest and most active seed stage fund in Germany focusing on technology driven start-ups. The initial investment totals EUR 1 million. The maximum possible HTGF investment level available amounts to EUR 3 million per enterprise.

HTGF support goes beyond providing money for realizing new business ideas. It also offers a high level of technology expertise, a broad network of scouts and capital providers to secure further growth of the new company after the seed phase. Besides the KfW and the Federal Ministry for Economic Affairs and Climate Action, more than 33 renowned German corporations have provided capital to the fund.

Coparion offers young and innovative companies in the start-up and early growth phases direct access to funds of up to EUR 15 million in several rounds. Coparion invests in companies headquartered in Germany together with other investors subject to the same conditions and amounts

With assets of EUR 275 million under management in 2022, coparion has the required flexibility to invest in promising businesses.

Public VC in the Federal States

Venture capital companies (VC) in the federal states offer equity financing to young and innovative enterprises to support early stage development. These VCs act as subsidiaries of the development banks of the federal states and support companies actively by providing risk capital as well as management and industry knowledge for their further development.

The investment focus is on innovation and is mainly in industry sectors including ICT, life sciences, and new materials. Subject to the regulations of the individual venture capital company, financing volumes of up to EUR 10 million are achievable.

Investment focus: **Innovation**

Mainly in industry sectors

ICT

Life sciences

New materials



Financing volumes of up to **EUR 10 million** are achievable!

Public-Private Equity in the Federal States

For established companies seeking to finance further growth, but for start-ups as well, Mittelständische Beteiligungsgesellschaften (MBGs – “Public-Private Equity Companies for Small and Medium-Sized Enterprises”) are available as financing partners in the federal states. As independent institutes, they are supported by the federal states.

MBGs operate primarily through silent participation through the provision of subordinated capital. They have no investment focus on special industry sectors.

An equity searching company can expect a financing volume of up to EUR 1 million. It is characteristic that the individual MBGs are only active in their respective federal state. They do not operate to maximize profits. A further advantage of financing by equity capital from the federal state MBGs for companies is that they have easier access to the financing network of the respective development bank. That is why they are an important instrument for the economic development policy of the federal states.

In North Rhine-Westphalia, support in the field of venture capital also is offered by the NRW.BANK and the Kapitalbeteiligungsgesellschaft NRW (KBG NRW). The range of support and programs refers to the company's growth phase and the sector of industry and conditions are negotiated on a case-by-case basis. For instance, the programs „win NRW.BANK Business Angels Initiative“, the „NRW.BANK.Venture Fonds“, NRW.SeedCap“ and „NRW.BANK.Mittelstandsfonds“ belong to this incentive spectrum.

NRW.BANK

www.nrwbank.de

Low-Interest Loans

Loans can be an alternative to grants or venture capital because they entail several advantages:

- apart from some loans referring to specific target groups or sectors (e.g. start-ups, digitalization, energy, electromobility) a lot of them are not
- attached to a specific field,
- application is possible at all times (no deadlines), and
- they can cover higher project costs.

In North Rhine-Westphalia, the NRW.BANK offers a wide range of loan programs, such as:

NRW.BANK.Universal Loan: This program is offered for business founders, small and medium-sized companies as well as freelancers. E.g., it is possible to finance resources and equipment by this program. A minimum or maximal amount of the loan does not exist.

NRW.BANK.Invest Zukunft: Companies, foundations and members of the liberal professions can get loans in the fields of climate protection (technologies), circular economy, efficiency and savings, mobility, environmental protection measures, digitalization and innovation. Loans of up to EUR 10 million are available at a 2% lower interest rate with a financing share of up to 100%.

NRW.BANK Gründung und Wachstum Loan: Business founders can be supported with loans up to EUR 10 million. The financing portion may amount to up to 100 percent of the eligible investment costs or working capital. The acquisition of land and buildings as well as furniture and fixtures and the takeover of existing SMEs are also eligible for funding. The NRW.BANK start-up loan is offered with terms of five, ten or twenty years. The start-up loan includes an optional indemnity bond from the Bürgschaftsbank NRW, for which business founders may apply as part of a standardized process.

NRW.MicroCrowd: Startups and young companies (5 years after business start) can get a loan up to EUR 50,000 with a financing share of 80 % and at least 20 % crowdfunding.

NRW.Mikrodarlehen: Startups and young companies (5 years after business start) can get a loan up to EUR 50,000.

NRW.BANK

Advice Center Rhineland
Kavalleriestraße 22
40213 Düsseldorf, Germany
Phone: +49 211 91741-4800
E-Mail: info@nrwbank.de
www.nrwbank.de

Branch Office of NRW.BANK in Münster

Advice Center Westphalia

Friedrichstraße 1

48145 Münster, Germany

Phone +49 25191741 -0

E-Mail: info@nrwbank.de

www.nrwbank.de

Public Loans, Public Guarantees

Investors can access public loan programs in Germany. These programs usually offer loans at below current market interest rates in combination with grace periods.

Public loans are provided by so-called development banks: publicly owned and organized banks which exist at the national and state level.

Each financial tool or program offered by such public banks is accessible to foreign investors planning to invest in Germany and subject to the same conditions available to investors from Germany.

Interest-reduced loans may constitute a subsidy and can usually be combined with other public funding. Please be aware, that the total amount of combined cash incentives available may be reduced when combined with other programs.

Each financial tool or program offered by such public banks is accessible to foreign investors planning to invest in Germany and subject to the same conditions available to investors from Germany.

Public Loan Programs on National Level

The KfW Group is the nationally operating development bank of the Federal Republic of Germany. The bank is organized into different departments – each specialized according to different target groups and available financing tools.

It makes available a number of different financing tools such as promotional loan programs, mezzanine financing, and equity from public sources. One of the most important loan program in connection with financing an expansion is the Entrepreneur Loan (Unternehmerkredit).

The KfW is contacted via the applicant's principal bank which normally complements its own financial package by using available KfW financing tools. Investors should have a German bank or a subsidiary of their domestic bank in Germany that is in place to handle KfW loans.

State Development Bank Loan Programs

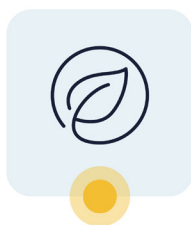
In addition to the KfW Group, each German federal state has its own development bank financing projects within the respective state. They offer own financing programs especially promotional loans.

State development bank loans are generally tailored to meet the requirements of small and medium-sized enterprises (according to the EU Commission's SME definition).

Loans are collateralized with usual collateral. Applications are made through the investor's principal bank to the respective state development bank.

Loan Programs of the European Investment Bank (EIB) cooperation with private banks. The EIB provides loans and further financing tools (guarantees, equity) at at favorable conditions.

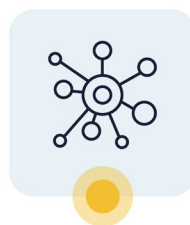
To receive support, projects must be viable in predefined areas:



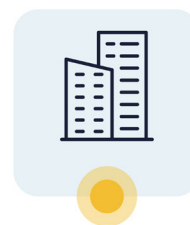
Climate and
ecological
sustainability



Innovation



Infrastructure



SMEs and
Midcaps

EIB loan programs are open to large enterprises as well as SMEs. As a rule, the EIB lends up to 50 percent of investment project costs.

The main financing tools are intermediated loans. Credit lines to banks and financial institutions help them to provide financial means to SMEs with eligible investment programs or for projects costing less than EUR 25 million.

[EIB Loan Programs for Investment Projects](#)

Public Guarantees

Companies can experience difficulties securing financing as, frequently, the required loans can only be collateralized to an insufficient degree

In these cases – with economically appropriate projects – public guarantees can replace or supplement any shortfall in securities.

How Public Guarantees Work

A public guarantee is a financial instrument that encourages financial institutions, i.e. commercial banks but also public banks, to offer loans to new companies. Guarantee programs are specially designed to help enterprises obtain bank loans by dealing with the collateral constraint.

The guarantee functions as a promise by the guarantor to the lender that, in the event that the borrower defaults on payment, the guarantor will repay the lender a specified proportion of the foregone principal. In other words, guarantees will be given by a guarantor to pay all or part of the loan in the case of borrower payment default.

Different Public Guarantee Programs

Different types of public guarantee programs exist to support different types of investment projects within Germany. The guarantee program depends on the required amount, the investment region, and the size of the company.

The maturity is generally 15 years, or eight years for working capital loans. Commitments vouched for within public guarantees are normally subject to intensive individual examination by external assessors. Guarantee fees are paid annually. The fee paid is a percentage of the actual guaranteed amount at the beginning of the year concerned. This is fixed over the whole duration of the loan.

Guarantee programs are available via a federal state's guarantee banks, via the individual state government or via the individual state government together with the federal government.

Guarantees by Banks

The public guarantee banks of the federal states in Germany are able to issue guarantees to small and medium-sized companies. Usually, they guarantee for amounts of up to EUR 2 million. They cover up to 80 percent of the loan amount.

Application has to be filed to the state development bank of the federal state the respective investment project is located at.

Guarantees by Individual State Governments

Public guarantees issued by individual state governments are available throughout Germany. Loan amounts, usually larger EUR 10 million, are covered up to 80 percent.

Applications have to be handed in before the investment starts. They have to be submitted to the respective state mandatory via the investor's bank. A state guarantee committee then deliberates on the application and issues a recommendation. Finally, the State Minister of Finance decides on the allocation of a state guarantee.

The Tax System

- Corporate Income Tax
- Trade Tax
- Taxation of Dividends
- Value-added Tax (VAT)
- Taxation of Property
- Tax Declarations
- Tax Deductions
- Customs

Germany offers a competitive system of company taxation. The average tax burden on companies is less than 30 percent. The average tax burden is just under 30 percent, with a number of municipalities offering lower rates.

Corporate Income Tax

All corporations – including the limited liability company (GmbH), the stock corporation (AG) and German permanent establishments of foreign corporations – are subject to corporate income taxation. Income taxation of corporate companies generally consists of three components: corporate income tax, solidarity surcharge, and trade tax.

Companies Liable to Corporate Income Tax

Corporate companies, such as the limited liability company (GmbH) or the stock corporation (AG), based in Germany or with an executive board in Germany are liable to corporate income tax on globally generated income. Dividends that have been generated and taxed abroad may be exempt from taxation in Germany or taxes paid in a foreign country can be offset against taxation in Germany.

Corporate companies who are not based in Germany nor have an executive board in Germany are only liable to corporate income tax on income generated inside Germany (e.g. via a permanent establishment, dividends or licenses).

Corporate Income Tax

Corporate income tax is levied as a flat nationwide tax at a rate of 15 percent of taxable corporate income. Taxable income (i.e. annual business profit) forms the tax base for corporate income tax. Under German commercial law, corporate company annual profit is calculated according to the accrual basis accounting method.

This is recorded in the annual financial statement and forms the basis for determining taxable income. However, German tax law provides different accounting options and income correction rules, meaning that the taxable income usually differs from the annual profit determined in the financial statement under commercial law.

Solidarity Surcharge

In addition, a solidarity surcharge (Solidarit t zuschlag) is added on top of the corporate income tax. The surcharge is a fixed and flat nationwide component of company taxation and set at a rate of 5.5 percent of the 15 percent corporate income tax (not the income); creating a total of around 0.8 percent of taxable income. Taken

together, the corporate income tax and solidarity surcharge amount to a total taxable rate of around 15.8 percent.

Trade Tax

All commercial business operations are liable to trade tax. Although trade tax is regulated by federal law, it is a municipal tax with rates varying at the municipal level.

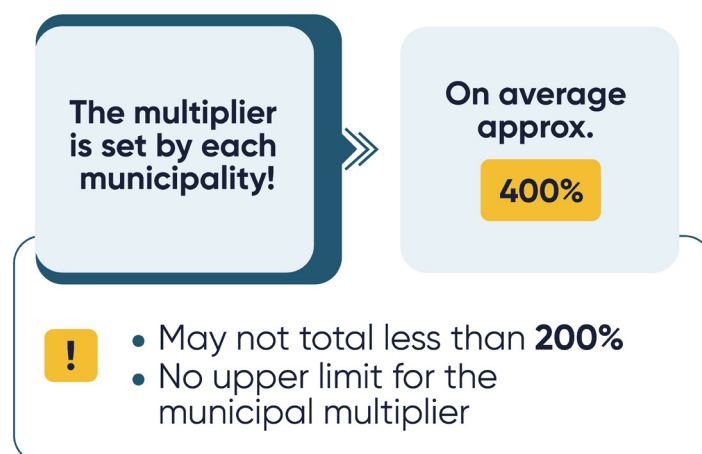
Irrespective of their legal form, all commercial business operations in Germany are liable to trade tax (Gewerbsteuer). The trade tax rate is set by local authorities which means it can vary from one municipality to the next. The rules for determining the taxable income (business profits plus certain statutory additions and allowances) are the same throughout Germany. Moreover, the trade tax rate is the same rate for all businesses within one municipality. The minimum trade tax rate must be at least seven percent. There is no statutory ceiling of the trade tax rate, but the German average trade tax rate is slightly above 14 percent. As a rule, the trade tax rate tends to be higher in urban locations than in rural areas. The solidarity surcharge is not levied on trade tax.

The corresponding rate of trade tax depends on two components:

- The tax base rate (3.5 percent throughout Germany)
- The multiplier (Hebesatz) stipulated individually by every municipality

The taxable income of the company is multiplied with the tax base rate (3.5 percent) which results in the so-called tax base amount. The tax base amount is then multiplied with the corresponding municipal multiplier, which results in the sum total of trade tax which is due.

The multiplier is set by each municipality. On average, it is around 400 percent but may not total less than 200 percent. There is no upper limit for the municipal multiplier.



Taxation of Dividends

Germany provides an extensive network of double taxation agreements to ensure that double taxation in international business can be avoided.

If a German subsidiary company distributes profits to its foreign parent corporation (a dividend payment) then a 25 percent rate of withholding tax (Kapitalertragssteuer) is payable in Germany.

Within the EU, dividend payments between a corporate domestic subsidiary company and a corporate foreign parent company are tax-free over and above a 10 percent stake.

In the event of the existence of a double taxation agreement (DTA) between the Federal Republic of Germany and another country, the withholding tax in the DTAs is usually levied at a significantly lower rate, e.g. 15, 10, 5 or even 0 percent. Withholding tax still paid in Germany can be credited against existing foreign tax obligations or the parent company has been exempted from dividend-payable tax in the respective DTA state. Different rules may apply for dividend payments by partnerships.

In cases where there is no applicable DTA between Germany and the foreign nation, two fifths of the withholding tax paid can be reimbursed if the creditor of the dividend-paying German corporation is a foreign corporation.

Private Shareholders – Final Withholding Tax

Profits which are distributed to private shareholders are liable to a final withholding tax (Abgeltungssteuer) of 25 percent plus the solidarity surcharge. The final withholding tax is retained by the debtor of the dividend or the institution managing the deposit (for instance a bank) and then paid to the tax office. However, the application of a DTA may lead to a lower withholding tax if the private stockholder resides in another country.

Value-added Tax (VAT)

Value-added tax (VAT) is a consumption tax on the exchange of goods and services. Companies are obliged to add VAT to their prices and to invoice their customers accordingly.

Value-added Tax within Germany

VAT is a consumption tax that is ultimately borne by the final consumer of a product or service. It is charged as a percentage of the price. At present, the normal rate in Germany is 19 percent. A reduced rate of seven percent applies to certain consumer goods and everyday services (such as food, newspapers, local public transport, and hotel stays). Some services (such as bank and health services or community work) are completely VAT exempt.

Companies must add the applicable VAT tax rate to value their prices. On purchasing goods or making use of services, companies regularly have to pay value-added tax themselves. The taxes collected and paid can be

balanced out via input VAT deduction (Vorsteuerabzug). Companies submit periodic VAT reports online to the tax authorities (Umsatzsteuer-Voranmeldung) on a monthly or quarterly basis using Germany's ELSTER (link: <https://www.elster.de/eportal/start>) online tax office system. The frequency depends on the company's level of turnover. In addition, an annual VAT return (Umsatzsteuer-Jahreserklärung) must be submitted.

In specific business-to-business transactions, the business customer has to transfer the VAT to the tax authority – the so-called reverse charge procedure. This is applicable, for instance, to certain types of construction work carried out by subcontractors.

Example: how input vat is Balanced

- A car dealer has sold ten vehicles in one month, each at a gross price of EUR 17,850 (net cost EUR 15,000). For each sale, the dealer receives EUR 2,850 in VAT from the customer. At the end of the month, the dealer therefore owes the tax authorities EUR 28,500.
- However, in the same period, the car dealer also bought ten cars from the car manufacturer. The net cost of each car was EUR 10,000. The car manufacturer added 19 percent VAT to this amount. The dealer therefore transferred EUR 119,000 (including EUR 19,000 in VAT) to the manufacturer.
- Thus, the car dealer has received EUR 28,500 in VAT and paid out EUR 19,000 in VAT. These totals are communicated to the tax office (Finanzamt), and only the difference of EUR 9,500 must be transferred by the car dealer to the tax authorities.



Cross-border trade within the EU

Trade within the EU is free from customs and other restrictions. However, goods traded between different EU member states are subject to so-called acquisition tax (Erwerbssteuer).

The reverse charge procedure is in general applicable to intra-community sales of goods and services between entrepreneurs in different EU states. This means that these customers pay VAT on the goods/ services received at the applicable rate in their country. For detailed information about cross-border VAT in the EU please see the dedicated [EU website](#).

Acquisition tax is payable by the recipient of the goods. If an EU company exports goods to a company located in another EU member state, the delivering company therefore neither has to pay customs or charge VAT. Accordingly, the company in the other EU member state receiving the goods accordingly has to pay acquisition tax. Acquisition tax rates correspond with the VAT tax rates of the country where the recipient of the goods is located. Companies can however reclaim acquisition tax like regular VAT.

In the case of intra-community deliveries of goods from a company to a private consumer, VAT generally has to be paid by the seller in the EU country where the consumer is based, if the delivery is based on an intra-EU distance sale. If the EU consumer picks up the goods himself at the seller's premises in another EU member state, VAT is generally due in the seller's EU country. There are various special scenarios that cannot be presented here, for instance chain transactions or the provision of services.

If a company intends to deliver goods to or import goods from other EU member states, it requires a VAT identification number (Umsatzsteuer-Identifikationsnummer). The VAT identification number application can also be filed [online](#) or combined with the regular tax number application. [The German Federal Central Tax Office](#) provides initial online information on VAT procedures in Germany.

Trade with Non-EU Member States

Goods imported from non-EU states are liable to import VAT called import turnover tax (Einfuhrumsatzsteuer). The import turnover tax rate equals the VAT rates of 19 percent or 7 percent and is paid to the customs authority.

The import turnover tax on goods imported from non-EU states can be deducted as input tax (Vorsteuer). As a prerequisite, the company must have the necessary import documents with customs proof of payment (import declaration).

Taxation of Property

Every property owner in Germany is liable to pay real property tax (Grundsteuer). The tax rate depends on the type of real property.

Real Property Tax Rate

Real property in Germany is sorted into two distinct categories. The real property tax rate depends on the category assigned to the property.

Real property tax is categorized as follows:



A real property tax type "C" will be introduced from 2025 onward as the result of a fundamental real property tax reform. Municipalities can impose the real property tax type "C" for undeveloped areas that are ready for development.

Real Property Tax Rate

The real property tax burden is calculated by multiplying the assessed value of the real property with the real property tax rate and the municipal multiplier.

The assessed real property value is determined by the tax authorities according to the German Assessment Code (Bewertungsgesetz). The German Assessment Code refers to historical property values that are usually significantly lower than current market value.

The tax rate varies between 0.26 percent and 1 percent depending on the Federal State (the real property is located at) and the use of the property.

Similar to the municipal multiplier applied in the trade tax case, the municipal multiplier applied to real property tax is stipulated by each municipality. Municipalities determine a municipal multiplier for both real property tax "A" and real property tax "B", with the rate for "B" usually being higher.

The Real Property Tax Reform

The reform of real property tax maintains the three-step system for calculating the real property tax rate but makes provision for a new assessment of real property values as of January 1, 2022. The reform also simplifies the calculation from 2025 onward, because it largely relies on average and statistical data to calculate the assessed value of the real property. The German federal states are free to introduce their own deviating provisions in order to impose and calculate real property tax.

Example: How real property tax burden is determined

Example:

$$\begin{array}{rcl}
 \text{Assessed Value: EUR 1,000,000} & & \\
 \times & & \\
 \text{Basic real property tax rate: 0.35 percent} & & \\
 \times & & \\
 \text{Municipal multiplier "B" of 486 percent} & & \\
 \hline
 \text{Real property tax burden:} & & \\
 \text{EUR 17,010 (or approx. 1.7 percent)} & &
 \end{array}$$

Reform of real property tax

Due to a reform of real property tax, the basic real property tax rate "B" will be lowered to 0.034 percent or 0.031% (depending on the property type) from 2025.

Real Property Transfer Tax

When domestic real estate is sold or changes owner, a one-time real property transfer tax (Grunderwerbssteuer) of the purchase price is levied if the purchase price or consideration exceeds EUR 2,500. Real property transfer tax is usually paid by the buyer. Real property transfer tax also applies to a real property-owning company if 90 percent of the shareholders change within ten years. The tax rate in North Rhine-Westphalia represents 6.5 percent.

Tax Declarations

Companies must submit a tax return to the tax authority once a year. The tax office at the location in which the corresponding company has its (German) head office is responsible.

Registration at the Tax Office

A regular tax number for the purposes of German income tax and national German VAT is issued by the competent local tax authority. Within one month of establishing a company or permanent establishment, a tax assessment questionnaire (Fragebogen zur steuerlichen Erfassung) must generally be filled in online via the [official German tax portal ELSTER](#) (German language only).

Tax Collection and Deadlines

With the most important types of tax (corporate income, personal income, trade, and value-added tax) collection is made via advance payments (normally monthly or quarterly) which are offset against the actual tax liability in the annual tax declaration. The tax declaration has to be submitted by 31 May of the following year. However, this deadline can be extended on request. Eased requirements apply for the fiscal years from 2020 to 2023 thanks to economic stimulus regulations of the German government.



Most important tax types:

- Corporate income tax
- Personal income tax
- Trade tax
- Value-added tax

Collection method:

- Advance payments **(monthly or quarterly)**
- Offset against actual tax liability

Annual tax declaration:

- Submission by **31 May** of the following year
- **Extension available** upon request

Register of tax advisors

Subject to the expected amount of taxes to be paid, the tax authorities can determine the period when tax payments are due. The tax authorities provide information on tax issues. However, companies in particular should seek the services of a tax consultant to ensure the tax return is completed as favorably as possible. The German Association of Tax Advisers (Bundessteuerberaterkammer) provides a [register of tax advisors](#).

Payment of Wage Tax

Employees pay wage tax (Lohnsteuer) – a special term for the income tax paid by employees. The employer is obliged to deduct the wage tax due directly from the salary of the employee and to pay it to the tax office on a monthly basis. For this reason, employees who do not get earnings from non-wage incomes may not be obliged to submit an annual tax declaration.

Electronic Tax Declaration

Tax declarations on income tax, wage tax, and value-added tax can easily be submitted to the tax office electronically. The electronically submitted tax declaration is mandatory for business operators. Information, forms, and software products for submission of an electronic tax declaration are available at the dedicated [Elster website](#).

Tax Deductions

The German tax system offers companies tax deduction possibilities to lower their annual tax burden – subject to certain preconditions being met.

As a result of the government's economic stimulus packages, there are currently improved opportunities for companies to carry back losses and depreciate assets.

Loss Carry-Back and Loss Carry-Forward

Losses for corporate income tax purposes can be carried back for one year, limited to a total loss amount of EUR one million. The maximum amount of a tax loss carry-back has been increased to EUR 10 million for the period between 2020 and 2023.

Losses can be carried forward with no time restriction. Up to an amount of EUR one million loss carry-forward is possible – free from any restrictions. For sums in excess of EUR one million, at least 40 percent of the taxable income must remain subject to taxation. In other words, a maximum 60 percent of taxable earnings exceeding EUR one million can be offset against incurred losses.

Deductibility of Interest Payments

Generally, interest payments are fully deductible as operating expenditure. However, some special rules apply for corporate groups. If the amount of interest payments exceeds the amount of interest earnings for more than EUR 3 million, these exceeding interest payments are only deductible up to an amount of 30 percent of the EBITDA (earnings before interest, taxes, depreciation and amortization).

Straight Line Depreciation

Depreciation on movable and fixed assets is calculated on the straight-line method over the asset's estimated anticipated useful life. Every asset has a different depreciation period, stipulated in a depreciation table (AfA-Tabelle) by the the Federal Ministry of Finance. Low value assets –below EUR 800 net value – can be depreciated in full immediately.

Accelerated Depreciation – Temporary Introduced

For moveable assets acquired or made between 2020 and 2022, a temporary accelerated depreciation method according to the declining balance method has been introduced. The applicable depreciation factor is up to 2.5 compared to the currently applicable depreciation rates – capped at a 25 percentage annually. This means that companies will enjoy a higher rate of depreciation in the first years of use of the assets, thereby leading to higher deductible expenses.

Fiscal Unit Concept

The German fiscal unity concept allows for profit and loss pooling of different corporations at the level of a dominant (parent) company to determine the overall profit for taxation purposes. To do so, the dominant company must have its place of business management in Germany and must be subject to taxation in Germany. It can either be a German company or a permanent establishment of a foreign (dominant) company in Germany.

The fiscal unity concept covers corporate subsidiaries from Germany or other EU/EEA member states, if they have their place of business management in Germany. The dominant company in Germany must hold more than 50 percent of the voting rights of the subsidiary/ies. In addition, a profit and loss pooling agreement must exist with a duration of at least five years. The agreement has to be registered with the commercial register. Further requirements may apply.

Customs

All member states of the European Union (EU), including Germany, form a customs territory (the European Customs Union) in which unified customs arrangements apply. Goods imported into the EU are subject to EU-wide import regulations, customs tariffs and customs procedures.

Goods imported into the EU are subject to EU-wide import regulations, customs tariffs and customs procedures. This means that customs duties are only levied when the goods are imported into the EU. No further customs duties must be paid within the customs territory once goods have been imported into the EU – even in cases where the goods cross internal borders of member states.

The legal basis is the European Union Customs Code (UCC). It is complemented by implementing and delegated acts. Transitional provisions (e.g. regarding IT procedures) exist in some instances – these will be effective until 2025. The EU has also concluded [trade agreements](#) allowing the duty-free import of certain goods or preferential tariffs with many countries.

Common Customs Tariff in the EU

Import duty is stipulated by the Common Customs Tariff (CCT) and import duty tariffs are the same for all member states. The [applicable tariff rate](#) can be found online at the EU's TARIC (Integrated Tariff of the European Union) database.

The nomenclature of the EU customs tariff is based on the Harmonized Commodity Description and Coding System (HS) of the World Customs Organisation (WCO). Through the regulations defined in the system, every single commodity can be classified according to the nomenclature and allocated a commodity number ("goods code").

The vast majority of tariff rates are stated as ad valorem values. The basis for their calculation is the customs value of the goods. Its primary basis is the transaction value, i.e. the price actually paid or payable for the goods, adjusted where necessary, when sold for export to the customs territory of the EU. This price can be supplemented by certain factors, e.g. cost of packaging or cost of transportation and insurance prior to entering the EU territory.

The European Commission offers basic information on [customs valuation](#) as well as [in-depth guidance](#) on this topic online.

EORI Number and AEO

It is necessary to have, among other things, an EORI number in order to participate in customs procedures. The EORI number ("Economic Operators Registration and Identification" number) is a number unique throughout the EU that is assigned by the designated authority in the European Union in order to identify economic operators and, where applicable, other persons to the customs authority. An EORI number can only be granted to economic operators from other countries for very limited activities, e.g. lodging an entry summary declaration. More information on how to apply for an EORI number is available on the [German customs authority's website](#).

Companies registered in the EU can apply for certification as an [Authorized Economic Operator \(AEO\)](#) from the respective Head Customs Office. Certified companies are considered as being particularly trustworthy within the member states of the European Union and are able to take advantage of certain easements in customs clearance. Their risk assessment is also looked upon more favorably, meaning that they are not as frequently affected by customs controls.

The European Commission informs in more detail about AEO status. Germany has its own [online portal for AEO applications](#).

Presentation of Goods to Customs

There are uniform regulations for the registration of trade in goods, and these are implemented according to a defined model. In order to be able to be placed in a customs procedure, the non-Union goods must be presented to customs.

„Presentation of goods to customs“ refers to the notification of the customs authorities of the arrival of goods at the customs office or at any other place designated by the customs authorities and the availability of those goods for customs controls.

An entry summary declaration usually has to be lodged – within specific time-limits – prior to the entry of goods into the EU territory and the presentation of goods to the customs. The purpose of this is to enable the customs authorities to carry out pre-arrival risk analysis.

Customs Declaration

The presented goods are then declared for a customs procedure. A customs declaration must be submitted in order for this to take place. This is regularly submitted electronically using the ATLAS system for electronic customs clearance, and will be until such time as a uniform IT system for the whole of the European Union is in place.

Declaration formalities must be carried out by a company registered in the EU. Submission of the customs declaration by a representative, such as a forwarding agent, is permitted. Companies from non-EU countries are allowed to submit a customs declaration only in very limited cases. The [European Commission's website](#) answers many questions regarding customs declarations.

Import Restrictions

Some goods may only be marketed in Germany if they comply with certain conditions regarding ingredients, materials or technical specifications. In some instances, a specific license may be required. To cite just one example, the import of medicinal products or certain chemicals is subject to specific licensing requirements. For goods imported from a few countries or by certain individuals, there may also be restrictions imposed by the European Union. The [German customs authority](#) informs in detail about various import restrictions online.

Employees and Social Security

- Finding Suitable Staff
- Flexible Models of Employment
- Terms of Employment
- Termination of Employment
- Employee Representation
- Social Insurance System

Germany is Europe's largest employment market. It offers flexible employment models. Social insurance contributions in Germany are roughly shared equally by employer and employee. A company's success very much depends on its employees. Germany offers a very well-trained workforce. There are various ways of recruiting staff in Germany. In some cases, even public funding for hiring employees can reduce the operational costs when starting a new business. But what considerations need to be addressed once employees are found? How is employment regulated? What rules apply to wages, working hours and vacation entitlement? What do employers need to know about the German social security system? How can an employment contract be terminated? And what is the role of works councils in Germany?

Finding Suitable Staff

Generous support from the Federal Employment Agency as well as the services of private recruitment agencies help to optimize the process of finding suitable employees in Germany.

Workforce in Germany

Germany's well-educated and trained workforce includes a population of more than 43 million. More than 86 percent of the German workforce has successfully completed an upper secondary program at the very least. Dual programs in vocational education and training are of particular importance. Each year, more than 500,000 students graduate from university courses. Graduates in the natural sciences, mathematics and statistics, information and communication technologies, engineering, manufacturing, and construction alone represent 37 percent of the academic population.

Services

In Germany, a wide array of public and private agencies supports both domestic and foreign companies in finding suitable staff. The [Federal Employment Agency](#) (Bundesagentur für Arbeit) provides a highly professional service to meet supply and demand. The agency, which can be found in all municipalities in Germany, provides its services free of charge. Additionally, the Federal Government's official [Make it in Germany](#) information portal assists employers in recruiting qualified professionals from abroad and foreign nationals in moving to Germany.

Private recruitment agencies – typically members of the [Federal Employers' Association of Personnel Service Providers](#) (Bundesarbeitgeberverband der Personaldienstleister e.V.) – are also available. These agencies normally charge the hiring company – but under no circumstances the employee – for providing their recruitment services. This fee does not generally exceed an amount of around two gross monthly salaries of the respective employee.

Companies looking for personnel can also advertise their open positions in newspapers and journals or on company websites and online job platforms. Local newspapers are essential in finding unskilled or semi-skilled labor. However, sourcing skilled labor usually requires some form of advertising in national newspapers and professional journals or online according to investor needs.

Measured in unit labor costs, Germany experienced an increase in productivity over the past decade. In contrast to a lot of other European countries, Germany's unit labor costs only increased slightly by 1.28 percent for the period 2005 to 2016. This made the economy very competitive – particularly manufacturing.

Public Support

In Germany, a broad range of labor-related incentives helps in the development of qualified staff. Under certain conditions, even wage subsidies administered by the Federal Employment Agency can be disbursed. Please refer to Incentives for more information.

Flexible Models of Employment

There are various employment models in Germany that provide expanding companies with flexible employment solutions – especially in the starting phase of the business.

Regular Employment

Regular employment contracts are unrestricted and can be terminated by a written letter of termination, provided a mandatory notice period has been observed. In companies with more than 10 employees, a justified reason is required for regular termination. In a regular employment contract, employer and employee usually agree upon a six-month probationary period during which the contract may be terminated by either party at any time with two weeks notice.

Fixed-term Contracts

Companies are free to offer fixed-term contracts to new employees without a justified objective reason for the fixed term. Such fixed-term contracts expire automatically on a specific date. A termination is not required for this type of contract – unless the contract needs to be terminated before expiring. It is for the employer to decide whether to renew the contract or not. This category of fixed-term contracts is generally limited to a maximum of two years. A fixed-term contract may be extended up to three times, provided the total duration of contract does not exceed the maximum of two years. During the first four years of a company's existence in Germany, employment contracts may be limited or extended several times up to a total duration of four years.

Apart from fixed-term contracts for a specific duration, it is also possible to use fixed-term contracts for specific justified objective reasons. This may, for instance, be the case if the employee is hired to fill in for another temporarily absent employee.

In order to be effective, any fixed-term employment agreement must be provided in writing.

Temporary Employment

Temporary employment means that a company can hire staff without concluding an employment contract. Instead, the company hires staff from a temporary employment agency by concluding a service contract which regulates the conditions under which the employees are sent to the hiring company.

The employee is legally employed by the temporary employment agency, which means that the employee receives financial remuneration only from the temporary employment agency, as no contractual relationship exists between the hiring company and the employee. The hiring company pays a certain fee to the temporary employment agency as set out in the service contract.

The duration and the terms of termination of the service of the employee in the hiring company are not subject to labor regulations, but only set out in the service contract between the hiring company and temporary employment agency. Generally, leased employees may be hired by the same company for a period of no longer than 18 months. Exceeding this maximum duration may result in a permanent employment relationship between the temporary employee and the leasing company.

The general working conditions such as weekly working hours and wages are usually determined in collective agreements between unions and the respective employers' associations of the temporary employment industry. These collective agreements provide flexible working hour models by using working hour accounts to adjust the demand of the hiring company and working time regulations. These collective agreements may, to some extent, alter the "equal treatment" policy between a company's leased and permanent employees.

Terms of Employment

The employment contract – as well as EU and German laws and regulations – shape the employment conditions. A contract of employment setting out the terms and conditions of the employer-employee relationship is usually drawn up in writing. Collective agreements between employer associations and trade unions apply only to those employers and employees who are members of an employer association or a trade union. An exemption applies for agreements that have been declared universally applicable by the Federal Ministry of Labor and Social Affairs. An overview [of universally applicable collective agreements](#) is available on the German Customs Authority's website. Some employment regulations do not allow any deviation by way of employment contract and/or collective agreement. Below we provide a quick overview on German minimum wage regulations, working time and vacation rules as well as sick leave.

The German General Act on Equal Treatment, often referred to as the Anti-Discrimination Act, implements EU regulations on anti-discrimination. It mandates a general prohibition of discrimination against any person for reasons of ethnic origin, gender, religion or ideology, disability, and age as well as sexual orientation.

Salaries and Wages

Wages are generally subject to individual negotiation in Germany. However, a general minimum wage applies. The minimum wage amounts to EUR 12.00 as of October 2022.

Higher minimum wages must be set in certain industries (e.g. those with universally applicable collective wage agreements). The German customs authority provides an [overview of these sector-specific minimum wages](#) online.

There are also general exemptions from the national minimum wage. For instance, the following group categories are not covered by the minimum wage regulation:

- Young people under 18 years of age
- Students completing compulsory internships or other internships for up to three months
- Long-term unemployed (one year or longer) for the first six months in employment

Bonuses only have to be granted if they have been agreed in the individual employment contracts or in collective agreements.

Working Hours

Working hours are very flexible in Germany. Under German labor law employees are allowed to work eight hours per day (48 hours per week). Saturday is considered to be a normal working day. With a five-day week, the permitted weekly working time totals 40 hours. Most business is conducted from Monday to Friday but retailers and manufacturing industries usually operate on Saturdays as well. Sundays, in contrast, are generally considered to be days off. An extension of the working time to a maximum of ten hours per day is possible under certain conditions. Executive staff are exempted from the scope of the German Working Time Act.

Overtime has to be compensated for with additional time off. An overtime bonus is possible but it is not legally specified. Overtime bonuses have to be paid only when required by individual contracts or in applicable collective labor agreements.

Working hours	Break entitlement
6–9 hours	30 minutes
over 9 hours	45 minutes

Break division:

Breaks can be split throughout the day, but each division must be **at least 15 minutes long**.

Minimum break between shifts:

Statutory requirement: Employees must have at least an **eleven-hour break between shifts**.

Vacation and Public Holidays

Full-time employees working six days per week are entitled to a minimum of 24 paid vacation days (the equivalent of four weeks) per year. Accordingly, full-time employees working five days per week are entitled to a minimum of 20 days per year.

The employee is entitled to a pro-rated period of paid vacation when working for less than six months within one calendar year. During the typical six-month probationary period at the beginning of any new employment contract, employees are not normally entitled to take any vacation days.

The number of public holidays varies from one federal state to another, with a minimum nine public holidays to a maximum 13 holidays in some regions of Germany.

Sick Leave

Employees are obliged to inform their employer about any sickness requiring an absence from work and the expected duration of this absence as soon as possible (generally on the first day of the sick leave).

Where the period of sick leave exceeds three days, employees are obliged to have a general practitioner provide proof of their incapacity to work. Notwithstanding this, employers may also request medical certification of an employee's incapacity to work beginning on the first day of sick leave. The employer can access the certificate online via the employee's public health insurance provider.

Employees are entitled to sick pay amounting to 100 percent of the normal salary until the time of recovery, though limited to a maximum of six weeks.

Posted Workers

When expanding to Germany, international companies often not only employ new staff in Germany. It may also be necessary to second personnel with management or specialist tasks from the parent company abroad to a new German entity for a limited time. Sometimes these employees are posted to Germany based on their existing foreign employment relationship. In such cases, EU and German law prescribe the applicability of certain German minimum employment conditions. Websites of the [European Commission on posted workers](#) and of the [German Customs' Authority](#) on foreign-domiciled employers provide detailed information on rules to consider.

Termination of Employment

A contract of employment can be terminated by the employer or the employee. Both parties have to observe the statutory notification periods.

Termination of employment requires written form (paper form). Electronic termination (e.g. via email) is not possible. The German Employment Protection Act (Kündigungsschutzgesetz) establishes certain rules for terminations,

especially with regard to specific justifying reasons. The Employment Protection Act only applies to companies with a staff of more than ten employees and with respect to continuous employment relationships of more than six months in the same company. If these conditions do not apply, employers generally have a right to terminate employment contracts within statutory notice periods.

Reasons for Termination

Where the Employment Protection Act is applicable to an employment relationship (see above), a termination by an employer must be justified by one of the following reasons:

- Termination for personal reasons (e.g. long-term illness with a negative prognosis or an alcohol or drug addiction with no reasonable prospect of successful treatment)
- Termination for conduct-related reasons (e.g. repeated lateness for work, unjustified refusal to perform certain work, criminal acts or violence at work)
- Termination for operational reasons (especially if the employee's job is rendered dispensable due to changes in the business organization such as plant closure, restructuring or insufficient work due to a shortage of orders)

However, a termination must always remain an option of last resort. Less severe options, such as redeployment of the employee, have to be considered prior to termination. A termination for conduct-related reasons generally requires a prior written warning. In the case of terminations for operational reasons, the business decision to cut back jobs under these circumstances is only limited reviewable by labor courts. Before terminating an employee for operational reasons, the employer is obliged to apply certain social criteria in order to determine which employees are to be terminated.

However, employees essential for the company (with special knowledge, skills, achievements or to secure a balanced personnel structure) can be exempted from the social criteria assessment.

Notification Periods

When terminating permanent contracts of employment, certain notice periods are required by law. The determination of the minimum statutory period depends on whether the employee or employer is seeking to terminate the contract.

Employer and employee usually agree on a probation period of up to six months, during which either side may terminate the employment with only two weeks notice.

In other cases, an employee must submit a notice with a minimum notice period of four weeks, effective either on the 15th or end of a calendar month.

For the employer, the minimum notice period depends on the duration of employment. After the probationary period of a new employment contract has ended, the initial notice period is four weeks to the 15th or to the end of a calendar month. This continuously increases in several steps to seven months after 20 years of job tenure in the same company.

Individual notice periods can be agreed upon, but these must comply with minimum statutory notice period

requirements. Notice periods for the employee must not be longer than for the employer.

Every notice of termination must always be issued in writing – notice of termination in electronic form is insufficient.

Extraordinary (Immediate) Termination

Immediate termination of employment may be considered in cases of serious misconduct rendering it unacceptable for either party to continue the employment relationship.

It is not sufficient for the termination be regarded as necessary, it must be immediately imperative. Accordingly, the legal period of notice does not apply in these cases.

EXEMPLARY REASONS FOR THE EMPLOYER:

- ! Continued non-performance of agreed work
- ! Disturbance of the general working environment
- ! Theft
- ! Disclosure of sensitive information
- ! Non-authorized competitive engagement

EXEMPLARY REASONS FOR THE EMPLOYEE:

- ! Non-payment of wages

Unlawful working

Immediate termination is only effective if the terminating party terminates the employment relationship within two weeks after obtaining knowledge of the reasons.

Employee Representation

Works councils are in-house committees representing the interests of the employees within a company.

A works council may be established in companies with five or more employees. Works council members are elected for four years by the employees in direct and secret elections. Candidates do not have to be union members.

In certain companies (e.g. stock corporations or limited liability companies) that have more than 500 employees and a supervisory board, at least one third of the supervisory board members must be representatives elected by the employees.



Works council establishment

In companies with at least five employees



Works council members

Elected for four years by the employees in secret and direct elections



Supervisory boards

Usually in companies with more than 500 employees

At least one third must be elected by employees

Functions and Rights of Works Councils

The rights and functions of works councils are governed by the German Works Council Constitution Act (Betriebsverfassungsgesetz). Works councils have informative and advisory rights relating to company internal policy and organization. Specifically, they can negotiate rules pertaining to organizational and social issues, and must be consulted regarding specific personnel decisions. Apart from the rights defined by statute, the works council is generally prohibited from becoming involved in corporate governance. The employer and works council can negotiate rules on matters such as:

- end and beginning of daily working hours (not the duration as such)
- vacation schedules
- safety issues (accident prevention)
- general company wage structures (but not individual salaries)

Social Insurance System

Social insurance contributions in Germany are roughly shared equally by employer and employee. The employer withholds and distributes them to the social insurance institutions. In marked contrast to some other industrialized countries, the core social security in Germany is financed collectively by means of a process of redistribution. The current social costs (e.g. for pensioners, sick people and/or those in need of nursing care and unemployed people) are paid directly from contributions by employees and employers.

Social security contributions are made up of:

- Health insurance
- Nursing care insurance
- Pension insurance
- Unemployment insurance
- Accident insurance

Generally speaking, social security contributions are roughly shared equally by employer and employee. Only the costs for accident insurance are exclusively borne by the employer. In total, the employer's share of social insurance contributions amounts to approximately 21 percent of the employees gross wage.

A common fund exists for all social security components. Only the health insurance provider can be chosen individually by the employee. Employees in Germany receive a net wage or salary from which tax and social security contributions have already been deducted. The employer withholds the tax that the employee is required to pay and transfers the money directly to the tax office (Finanzamt). Accordingly, all employees must be registered with the local tax office. Social security contributions are also withheld by the employer after calculation of the gross wage and transferred to the employee's health insurance company (which then distributes all of the contributions excluding accident insurance to all relevant parties). The employer separately has to pay the contributions for the accident insurance to the relevant [Employers' Accident Insurance Association](#) (Berufsgenossenschaft).

Social security insurance components ¹ (in % of gross wage)	Employer/Employee share (in % of gross wage)
18.6 % pension insurance National Visa	9.3 % employer
	9.3 % employee
14.6 % health insurance²	7.3 % employer
	7.3 % employee ²
2.6 % unemployment insurance	1.3 % employer
	1.3 % employee
3.05 % nursing care insurance	1.525 % employer
	1.525 % employee ³
0,96 % accident insurance	0,96 % employer ⁴

(1) plus minor allocations (2) plus additional contribution which each health insurance company individually may impose on employer and employee (equal shares). The average additional contribution for 2023 defined by the Federal Ministry of Health is 1.6% (3) childless employees aged above 23 years pay an extra 0.35 % nursing care insurance (4) average accident insurance contribution 2021 according to the German Social Accident Insurance (DGUV)

Pension Insurance

Pension insurance is compulsory for employees. The premium is 18.6 percent of the gross wage and is divided equally between employee and employer. The employee's health insurance company is responsible for collecting these contributions.

Health and Nursing Care Insurance

Employees earning a gross wage of up to EUR 66,600 (2023) per year are compulsorily insured by one of the public health insurance providers (Gesetzliche Krankenversicherung – GKV). Employees whose earnings are above this income threshold can choose from both public and private insurance companies (Private Krankenversicherung – PKV). Employee and employer also share the premiums for private health insurance plans.

The basic flat health insurance contribution rate (public health insurance) amounts to 14.6 % of the employee's gross income and is equally shared between employer and employee. Employees pay an additional contribution set individually by each public health insurance provider.

The average rate of additional contributions for 2023 has been set at 1.6 percent by the Federal Ministry of Health. The German National Association of Statutory Health Insurance Funds (GKV-Spitzenverband) provides a list of all public health insurance providers and their [additional contribution rates](#) online.

Nursing care insurance is organized in more or less the same way as health insurance, with a contribution rate of 3.05 percent of the gross wage. Employer and employee both pay half of the contribution rate, with childless employees paying an extra 0.35 percent on top of their contribution. The premiums are deducted in the course of payroll accounting and transferred to the nursing care insurance company via the health insurance company.

Unemployment Insurance

The premium for the mandatory unemployment insurance is 2.6 percent of the gross wage and is shared equally by the employer and employee. Contributions for unemployment insurance are collected by the health insurance company of the employee, which transfers the money to the Federal Employment Agency (Bundesagentur für Arbeit).

Accident Insurance

Statutory accident insurance provides coverage if an employee suffers an accident at the workplace or on the way to work. In contrast to the other four obligatory insurances (health, nursing, pension, and unemployment), the costs for accident insurance are exclusively borne by the employer.

All employers must inform the relevant statutory accident insurance association (Berufsgenossenschaft) about the establishment of their business and register with this organization. The accident insurance rate is determined on the basis of the company's total remuneration sum and the hazard category of the work concerned (the hazard category is determined by the relevant accident insurance association). According to the German Social Accident Insurance (DGUV), the average accident insurance contribution in 2021 was 0.96 percent. DGUV provides detailed information on the individual [calculation of accident insurance contributions](#) online.

International Coordination of Social Insurance Systems

In order to facilitate the international transfer of employees, Germany has signed social insurance agreements with countries including e.g. Australia, Brazil, Canada, China, India, Israel, Japan, South Korea, Turkey, and the USA.

Within the EU, the dispatch of employees is facilitated by EU regulations on [social security coordination](#). This allows transferred employees to remain within the national social insurance of their home country, if they are posted to Germany for a certain time. In this case, the employer does not have to pay German social security contributions for the employees temporarily located in Germany.

Social Security in North Rhine-Westphalia

To complement general social legislation and the associated advisory and service infrastructure in Germany, North Rhine-Westphalia provides additional services.

Health and Safety at Work

To ensure that employers can meet the legal requirements for the protection of employees at the workplace, the state of North Rhine-Westphalia has set up advisory centers at the five regional governments. Here, companies and employees can obtain advice on all matters relating to health and safety at work. In addition, the State Institute for Health and Safety at Work provides scientific information on related topics.

Further information at:

www.arbeitsschutz.nrw.de

www.liq.nrw.de

Education Check

Science and technology are constantly producing new knowledge which affects the world of work. To be able to remain competitive in the market, companies need employees who are prepared to undergo further training. With the Education Check, North Rhine-Westphalia provides both employers and employees with an incentive to take advantage of professional training opportunities. The Education Check is aimed at companies with a maximum of 50 employees who have a particular demand for further training. When a company's employees undergo further training, the state of North Rhine-Westphalia covers half of the cost – to a maximum of EUR 500 per Education Check.

Throughout the state, there are around 175 counseling centers providing detailed advice.

Further information at:

www.mags.nrw/bildungsscheck

Store Opening Times

In Germany, the federal states are responsible for the regulation of the store opening times. Since 2018, the following rules have applied in North Rhine-Westphalia: From Monday to Saturday, business proprietors can determine their opening times without any restrictions from midnight to midnight. Sunday is protected on principle and not a sales day. However, cities and municipalities have the possibility to determine special openings for up to eight Sundays a year.

This does not affect conditions for employees with regard to labor law.

Further information at:

www.wirtschaft.nrw/ladenoeffnungsgesetz

The Legal Framework

- Foreign Businesses in Germany
- Patents, Licensing, Trade Marks
- Planning and Building
- Legal Proceedings

In principle, business activities in Germany are free from regulations limiting day to day business. Intellectual property is strongly protected by patent laws which hold foreign entrepreneurs to the same conditions as Germans. If necessary, investors' rights can be enforced by Germany's efficient judicial system.

Foreign Businesses in Germany

In principle, business activities in Germany are free from regulations restricting day-to-day business. German law generally makes no distinction between Germans and foreign nationals regarding investments or the establishment of companies.

Intellectual property is well protected by patent laws which extend the same conditions enjoyed by Germans to foreign entrepreneurs. Where necessary, investor rights can be enforced by Germany's efficient judicial system.

Reliable laws enable companies to plan their investments effectively and licenses granted by the authorities provide a secure base for breaking ground on a construction project or operating a plant.

Foreign Trade and Payments Act

Germany has an open and welcoming attitude towards foreign direct investment (FDI). The legal framework for FDI in Germany favors the principle of freedom of foreign trade and payment transactions as laid down in the Foreign Trade and Payments Act (Außenwirtschaftsgesetz) and the Foreign Trade and Payments Ordinance (Außenwirtschaftsverordnung).

The Federal Ministry for Economic Affairs and Climate Action (BMWK) may however review acquisitions of German domestic companies. In general, the cross-sector investment review procedure is applicable to acquisitions of at least 25 percent of the voting rights by non-EU/EFTA based buyers. The subject of the review is, whether the acquisition poses a threat to the public order and/or security of Germany. If the domestic target company in particular operates critical infrastructure or provides other specific security-relevant services related to the operation of such infrastructure, BMWK can however review acquisitions of 10 percent or more of the voting rights. These cases must, in contrast to the general cases of the cross-sectoral rules, be reported to BMWK. The sector-specific investment review procedure applies to acquisitions by any foreign buyers of at least 10 percent of the voting rights of companies operating in sensitive security areas (e.g. war weapons, ammunition, military equipment and products with IT security features used for the processing of classified government information). The basis of the review is whether the investment would endanger German essential security interests. Acquisitions falling under the scope of the sector specific investment review must be reported to BMWK. In practice, restrictions and

prohibitions are very seldom under both procedures. Greenfield investments, where a new company is established, are not affected by the review. The scope of the review procedure is limited to acquisitions of domestic companies as well as substituting transactions, such as asset deals involving all significant assets of domestic companies.

Import Regulations

Importers in Germany need neither an import permit nor an import control declaration. This applies to both residents, meaning natural persons residing in Germany as well as legal entities or partnerships with a registered office or management headquarters in the territory of the Federal Republic of Germany.

On certain goods import duties apply, which over the past years have been constantly reduced. Some goods, such as agricultural products, food, pharmaceuticals, chemicals, and goods of strategic relevance are subject to certain import restrictions. In such cases import licenses and surveillance documents may need to be obtained before importing to Germany.

Patents, Licensing, Trade Marks

Trademarks and patents are well protected in Germany. When establishing a company you should remember to protect your company's intellectual property by means of registration. Conversely, you should ensure that your company and products do not infringe on existing intellectual property rights that have already been established in the German market.

Patents

Patents are granted for technical inventions which are new, involve an inventive step, and are industrially applicable. The duration of a patent is 20 years, beginning on the day following the invention patent application.

Under German patent law, patents are granted by the German Patent and Trade Mark Office (Deutsches Patent- und Markenamt, DPMA) ruling. In order to apply for registration, the applicant must submit an application providing specific information and pay a fee. For details, as well as an overview of the patent fees, please refer to the DPMA's "Information for Patent Applicants" fact sheet available at the DPMA website.

DPMA's Information for Patent Applicants Fact Sheet

www.dpma.de

Foreigners may register patents subject to exactly the same terms as German nationals (this is also the case with trademarks). However, applicants having neither a domicile nor an establishment in Germany must appoint a patent attorney in Germany as a representative filing the patent application.

European patents are granted under the European Patent Convention (EPC). The European and the national

patent-granting procedure exist in parallel. When seeking patent protection in one or more EPC contracting states, the applicant can choose between following the national procedure of the respective individual states or adopt the European route which confers protection in the contracting states designated as part of the single procedure.

European patents, once granted, become a bundle of nationally enforceable patents in the designated states. For a step-by-step guide on the European patent granting procedure, please refer to the European Patent Organization website.

European Patent Organization

www.epo.org

Trade Marks

A trademark is a personal name, a company name, a term, a logo, or a combination of these, which identifies a company, its goods, or its services. Marks of this kind that are associated with a specific manufacturer or supplier may for instance take the form of symbols, words, illustrations, audio signatures, color designs, or packaging.

Additionally, a company or a product name that has acquired a secondary meaning as a trademark due to its independent value can also be eligible for trademark protection.

A mark can be protected as a trademark by recording it in the register kept at the German Patent and Trade Mark Office (DPMA). As with patents, an application must be filed at the DPMA. For more information, please refer to the "Information for Trade Mark Applicants" fact sheet available at the DPMA website.

DPMA's Information for Trade Mark Applicants Fact Sheet

www.dpma.de

At present, the fee for trademark registration application and entry in the trademark register is around EUR 300.

Once trademark protection has been obtained, the owner of a trademark has an exclusive right to use the respective trademark. If the trademark has been registered, the owner can indicate this by placing ® (registered trademark) after the trademark. Protection is valid for a period of ten years and can then be extended for another ten years.

Licenses

The right to use a patent or a trademark may be subject to either an exclusive or a general license. By granting a third party a license, the owner of a patent or trademark entitles a third party to use or exploit the right in question without ceding ownership.

An exclusive license entitles only the licensee (i.e. the person that has been granted the right of usage) to exploit the right, usually within a certain territory. General licensing or non-exclusive licensing enables various licensees to use a right in the same territory at the same time.

Planning and Building

Construction Laws

The responsibility for public construction law in Germany is divided between federal and state governments.

Zoning law (Bauplanungsrecht) is federal law. It determines the purpose for which a property may be used and whether a building project fits into its surroundings.

The federal states are responsible for building regulations law (Bauordnungsrecht), which determines how buildings may be designed and constructed in order to meet planning law requirements. Each state issues its own building regulation. However, most of the states have adopted a specimen building regulation issued by the state ministries which also makes provision for certain standardization within this field.

Building Permits

A building permit (Baugenehmigung) is required for the construction or alteration of a building with the exception of some changes of use or deconstruction. The building permit is granted if the project complies with the planning and building regulation law as well as with all other applicable laws (such as environmental laws).

An application for a building permit must be submitted to the local building authority or the building supervisory authority (Untere Bauaufsichtsbehörde).

The application must include a detailed plan of the project, accompanied by necessary supporting documentation such as site plan, construction drawings, building specifications, and, where applicable, documentation regarding heating, noise prevention, and fire protection plans.

German law recognizes the principle of procedural merger. In order to simplify and coordinate the permit procedure, the immission control permit application procedure also includes the building permit process. Repeat procedures are therefore avoided and there is only one contact partner for the applicant.

Immission Control Permits

Environmental protection is declared as a general state goal in the German constitution (Grundgesetz). In general, all buildings may not contravene these protection goals. There are a number of different laws and regulations protecting the environment. Most important for large industrial facilities is the immission control permit, which is

required prior to construction in order to prove that facilities and projects comply with the requirements of environmental law and other regulations aimed at protecting the common good. Facilities and projects which are subject to the federal immission control act are determined in the 4th federal immission control ordinance (4. Bundesimmissionsschutzverordnung, 4. BImSchV) such as emitting industrial plants, airports or highways.

Immission Control Permit Procedure

The approval procedure is governed by the Federal Immission Control Act (Bundesimmissionsschutzgesetz, BImSchG) and related ordinances. The environmental agency of the respective federal state (Landesumweltamt) is responsible for the immission control permit procedure. The approving authority is the respective district government.

The BImSchG aims at protecting population and environment from detrimental effects due to air pollution, noise, vibration, light, radiation, and similar immissions. Construction, modification, and operation of emitting facilities require a formal approval procedure.

The permission procedure is limited to seven months, after which time a decision needs to be made: starting from the submission of the completed application documents. The approval procedure can be shortened for facilities or projects which, though still capable of generating detrimental effects, are expected to result in a less harmful or negligible impact on the population or environment.

Facilities likely to be subject to the simplified approval procedure may include facilities for the storage of inflammable gases or mineral oils and small paint or varnish shops. The time limit for the decision is three months starting from the submission of the completed application documents.

Some facilities are permit exempt under the terms of the BImSchG. Although construction, modification, and operation of such facilities are possible without direct authorization, the operator of the facility must nevertheless prevent detrimental effects to the environment and population.

Legal Proceedings

According to various reports, Germany occupies positions in categories covering legal and political stability as well as judicial independence. Hence, companies and entrepreneurs can count on a reliable legal system. Numerous international law firms are represented in Germany.

Attorneys at Law

All attorneys at law are members of the bar council (Rechtsanwaltskammer) of the region. The Federal Bar Council (Bundesrechtsanwaltskammer) is the professional umbrella association of the different bar councils.

The largest private association is the Deutscher Anwaltverein, in which around half of all attorneys at law are organized on a voluntary basis.

Federal Bar Council (Bundesrechtsanwaltskammer)

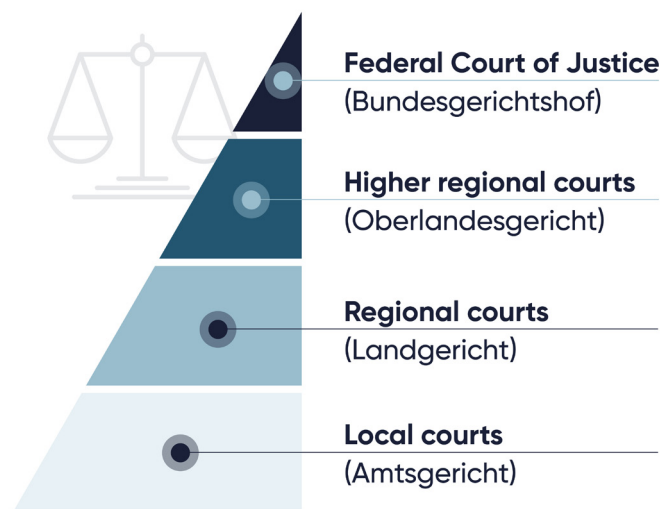
www.brak.de/english

German Bar Association (Deutscher Anwaltverein)

www.dav-international.eu/en/

The Courts

In Germany, ordinary courts which hear civil and criminal disputes are organized at different levels. There are:



A right of appeal is usually permitted against initial decisions. Under these circumstances, higher courts up to the level of the Federal Court of Justice settle the case.

Jurisdiction

In principle, local courts have jurisdiction in civil disputes if the monetary value of the dispute does not exceed EUR 5,000 and if the regional court does not have exclusive jurisdiction. There is normally no requirement to retain the services of an attorney in civil cases brought before the district courts.

However, representation by an attorney at law is necessary for all proceedings before the regional courts, the higher regional courts, the Federal Court of Justice (Bundesgerichtshof), and for a range of family matters in the district courts.

Besides the ordinary courts there are also specific courts for administrative, social, labor and fiscal matters. The labor courts (Arbeitsgericht) are responsible for disputes arising from industrial relations; especially those relating to collective agreements or the termination of contracts of employment. The fiscal courts (Finanzgericht) rule on disputes relating to taxes and charges subject to federal legislation.

The Order of Payment Procedure

In principle, the order for payment procedure is applicable to all claims relating to the payment of a specific sum of money. A small fee is charged for this procedure, and a lawyer doesn't need to be involved.

A written reminder is followed by an application to the local court for an order for payment procedure (Mahnbescheid). A standardized application form must be used. The competent court for the purposes of the order for payment procedure is the district court at which the applicant has his general jurisdiction.

The court issues the order for payment to the defaulting payer. The defendant can file an objection within two weeks. If no objection is filed, the court issues an enforcement order on application which is provisionally enforceable.

Notice of appeal can be filed against the enforcement order within two weeks. If the defendant disputes the claim within this period, it is no longer possible to issue an enforcement order for the compulsory enforcement of the claim asserted under the order for payment.

However, the procedure is not automatically transferred to normal (i.e. "adversary") proceedings. This requires a specific application for the contested procedure to be implemented – this can be submitted by either the order for payment procedure applicant or defendant. The applicant may also submit an application as soon as he becomes aware of the objection, or can link the application to the order for payment as a precaution.

Alternative Disput Resolution

Arbitration agreements are often a means of settling disputes – particularly in the trade and industry sectors. The chambers of industry and commerce can act as arbitrators in these cases. The procedure is non-bureaucratic. The chambers of industry and commerce have created a number of different arbitration institutions for consumer complaints such as arbitration boards or courts of arbitration (Schiedsgericht).

Living in North Rhine-Westphalia

- Finding the Right Place to Live
- Assistance for Families
- German Education System
- Ensuring Quality of Life
- Foreign Driving License in Germany

German living standards are high, though living expenses are moderate. The government provides for a sound living environment: families enjoy significant support, are bolstered by an excellent education system, and the German health system is considered exemplary throughout the world.

Finding the Right Place to Live

German living standards are high, even though living expenses are moderate. Renting or purchasing a home is considerably less expensive than in many other industrialized countries. Were that not enough, utilities are reliable and competitively priced.

Finding Accommodation

Like anywhere else in the world, prices depend on the accommodation location and the facilities provided. The price level for rented and purchased real estate in German cities is lower than in many other western European cities. Quality accommodation is in high demand in industrial areas.

The individual municipality websites are always a good source of information about the living conditions in a particular town or city. The websites run by the individual states provide information on the surrounding area. Most cities have websites to facilitate completion of the paperwork required for the authorities from the comfort of your home.

Extensive information on the property market can be found in the local papers, which usually publish a large number of accommodation small ads in their weekend editions. Brokers typically charge a commission of approximately two months rent (before expenses) for rented accommodation, and up to six percent (depending on the federal state purchased in) plus value added tax (VAT) if the accommodation is purchased.

Registration of Residence

Moving to a German town requires registration at the local registration office (Einwohnermeldeamt). Registration must be performed within two weeks upon moving into a house or apartment. This applies to all changes of addresses throughout the period of residency in Germany. Registration is free of charge and only requires a short visit to the local registration office.

To register an ID card or passport, proof of the new residence (in the form of a rental or purchase agreement) is necessary. The different municipalities usually have websites that provide information on which office is responsible. The web address is usually listed as www.name-of-municipality.de (for example www.duesseldorf.de).

Assistance for Families

Child Support

In Germany, families are given special consideration in the German constitution or "Basic Law" (Grundgesetz). Families benefit from numerous family-oriented regulations, such as tax benefits for married couples and child support.

The government pays an allowance of EUR 250 per month for each child.

Foreigners can apply for child allowance (Kindergeld) as soon as they possess a valid settlement permit. The allowance can be applied for at the family benefits offices of the local job centers (Familienkasse der Bundesagentur für Arbeit). Applications have to be filed in writing upon presentation of the child's birth certificate. The necessary forms can be downloaded from the website of the Federal Employment Agency (Bundesagentur für Arbeit).

Parental Leave

Child Allowance (Kindergeld) Application Form (in German only)

https://www.arbeitsagentur.de/datei/kg1-antrag-kindergeld_ba017202.pdf

Since 2007, parents have been able to file for parental leave and receive 67 percent of their net income (up to a maximum of EUR 1,800 per month) as a parental allowance from the government for a duration of up to 14 months.

Foreigners can apply for parental leave as soon as they possess a valid settlement permit.

The Kindergarten

In Germany, every child between the age of three and six has a legal right to a kindergarten place. Many kindergartens also offer care for babies.

Kindergartens, childcare centers, and crèches are mainly run by the municipalities, churches, and charitable organizations as well as by companies and associations. The Youth Welfare Offices (Jugendamt) of the communities can provide information on communal kindergartens. Kindergarten place costs vary from community to community and depend on the household income. In addition, parents receive tax benefits for childcare costs.

Germany is home to numerous bilingual childcare centers and kindergartens. Their number is steadily increasing, particularly in larger urban centers. The Association for Multilingual Childcare Institutions and Schools (Verein für Mehrsprachigkeit an Kindertageseinrichtungen und Schulen e.V.) provides an overview of bilingual kindergartens in Germany.

Child Care in North Rhine-Westphalia

Information on Multilingual Kindergartens:

www.fmks-online.de

For children aged three and over, North Rhine-Westphalia has a dense network of day centers. The centers are operated by the municipalities, churches or independent operators such as parents' initiatives or associations with a particular educational orientation. Kindergartens and day centers are regarded as pre-school educational institutions where children learn how to express themselves in keeping with their age, to understand their environment, and to enter into social interaction.

In larger cities there are also bilingual or international kindergartens such as a Japanese kindergarten in Düsseldorf.

As from 2013 all municipalities are legally obliged to provide care in their day centers for one third of all children up to the age of three. This regulation will enable more parents to find a healthy balance between family and work.

Many day care centers for children have now developed into family centers, offering parents advice and support in matters relating to the health, development and upbringing of their children in addition to child care. Furthermore, care times for children of preschool and school age are to be increased.

More information is available at:

www.familienzentrum.nrw.de

German Education System

Educational opportunities in Germany are diverse, easily accessible, and excellent. Public schools are free, teachers highly qualified, and student qualifications internationally recognized. At the secondary level, different types of schools are available to meet a child's individual abilities and interests (such as music, natural sciences, languages, and sports). More than 400 universities and colleges help make Germany a global leader in research. To learn German, universities, night schools, and adult education centers offer convenient and affordable alternatives to private language schools as well as a wide range of continuing-education and special interest courses.

German School System

Attending a state-run school is free of charge, and it is compulsory for children from the age of six onwards. State school standards are very high. For the first four to six years (according to federal state), children usually attend a local primary school (Grundschule).

At the end of primary school, parents can choose between various types of secondary schools, ranging from lower secondary school (Hauptschule, Realschule) to higher secondary school (Gymnasium) depending on their child's interests and abilities.

Students who gain a qualification from a Gymnasium can attend university. Students who gain a qualification from a technical or specialized secondary school can attend a university of applied science where the courses are more practically oriented.

Many schools have developed their own profiles focusing on specific areas. There are, for example, schools focusing on natural sciences, languages, music, and sports.

There are also an increasing number of private schools in most metropolitan areas in Germany. Over 70 international schools teach courses in Asian and European languages. The German Education Server provides lists for private, state, European, and international schools in Germany. Most national and international schools offer officially recognized diplomas that qualify for university programs worldwide.

The German Education Server

www.eduserver.de

Open All-Day School

In North Rhine-Westphalia, "open all-day schools" have existed for some years. Following the regular lessons, the schools provide afternoon care including lunch, homework supervision, and sporting and musical activities. Applications for places at the open all-day schools must be made individually at the schools themselves.

Students who gain a qualification from a Gymnasium (Hochschulreife) can attend university. Students who gain a qualification from a technical or specialized secondary school can attend a university of applied science, where the courses are more practically oriented. Many schools have developed their own profiles focusing on certain areas. There are, for example, schools focusing on natural sciences, languages, music, or sports.

In addition to the three-tier school system there is a large network of comprehensive schools which all pupils can attend after the fourth grade up to "Abitur" (higher secondary school graduation certificate). Comprehensive schools are usually all-day schools.

Vocational Schools

Professional training is accompanied by vocational school education. Here the trainees learn the necessary basics specific to their chosen professions and a basic general education.

For young people or adults who wish to gain school qualifications there are evening schools or vocational schools in some municipalities where they can attend courses and acquire the desired certificates. Alternatively, adult education centers also provide the same opportunities.

Foreign and International Schools in NRW

School education in North Rhine-Westphalia is shaped by this cultural diversity: Among the more than 5,400 education institutions in the state, there are eight international and eight foreign schools. These not only lay the foundation for an internationally oriented school career, but also represent an important location advantage for the families of foreign nationals working in companies here. The international schools are privately run educational institutions. Here, students can acquire a university entrance qualification which is internationally recognized. The organization and curricula of foreign schools comply with the school regulations applicable in the respective country of origin. These schools prepare pupils for the examinations and certificates valid in foreign country concerned.

International schools are education establishments with private governing bodies. Here you can obtain internationally accepted degrees which will entitle students to university admission. The German Education Server provides lists for private, state, European, and international schools in Germany. More Links to Organizations of European and Private Boarding Schools:

Securing the workforce

The dual education system in Germany, which links practical training in a company with the imparting of theoretical knowledge at vocational school, ensures a continuously high level of education of the workforce of tomorrow. In addition, numerous national initiatives, business associations, chambers of industry and commerce as well as trade unions support targeted personnel development. These institutions help with activities and services related to lifelong education and training to make use of further potential for the employment market. The – frequently high – qualifications of immigrants are regarded as an important resource in the state. NRW therefore makes the recognition of qualifications obtained abroad simple and fair to enable enterprises to benefit from these skills.

Further information at:

www.schulministerium.nrw.de

www.privatschulen-in-deutschland.de

The German Education Server

www.eduserver.de

European Schools/Schools Focusing on Foreign Languages

www.fmks-online.de

Information on Boarding and Private Schools (only partly in English)

www.privatschulen.de

Higher Education

Germany is home to a number of different types of higher education institutions catering different programs of study. University education traditionally has a very high standing in Germany. The characteristic feature of German universities lies in their pronounced focus on academic teaching and research. The majority of German universities are state-run. The government provides the main funds for universities. .

Universities of applied sciences (Fachhochschulen) are responsible for providing practice-oriented training to prepare students for occupations which require the application of academic knowledge and methods or practical artistic creativity.

Colleges of art and music (academies, schools, conservatories, etc.) and the corresponding departments at some universities provide training in the fine arts, design, performing arts, and music.

University Degrees

All German universities now offer bachelor's and master's degrees. In addition, they award titles such as "Magister", "Diplom", or "Staatsexamen" for some degree courses.

The online "Studienwahl" information service provides a list of universities and degrees available.

Information on Academic Degrees available in Germany

www.studienwahl.de/en

The University Landscape in North Rhine-Westphalia

With more than 65 universities and universities of applied sciences, North Rhine-Westphalia has the densest university network in the whole of Germany. Students can study any subject in North Rhine-Westphalia and have the opportunity to specialize at an early stage. North Rhine-Westphalia thus also offers the most wide-ranging university program in Germany.

Further information at:

www.innovation.nrw.de

Foreign University Students

Foreign students can benefit from a multitude of partnership agreements between German and foreign universities. For courses of study that only permit a limited number of students (numerus clausus), foreign students have a privileged university place quota.

Information on universities in Germany and the acceptance conditions for non-German students is available from the German Academic Exchange Service (DAAD).

German Academic Exchange Service (DAAD)

www.daad.de

Ensuring Quality of Life

With nearly 1,000 museums, NRW is among the richest cultural landscapes in Europe, along with Paris and London. The Kunstsammlung (art collection) Nordrhein-Westfalen in Düsseldorf, for example, shows works by the greatest artists of the twentieth century. The Museum Ludwig in Cologne houses one of the most important contemporary art collections in Europe. Other prominent buildings include the Art and Exhibition Hall in Bonn, the Museum Folkwang in Essen, the House of History in Bonn and Moyland Castle. In addition, ART COLOGNE, the world's oldest art fair, is held each year in the cathedral city.

UNESCO World Heritage

NRW boasts six UNESCO World Heritage Sites, therefore earning it a place in the list of rich cultural landscapes: Cologne Cathedral is the most popular German attraction with 6.5 million visitors annually. Aachen Cathedral is an important example of Carolingian architecture and the castles Augustusburg and Falkenlust near Brühl are regarded as a total work of art of the German Rococo with their architecture, paintings and gardens. And the former colliery Zeche Zollverein in Essen is one of the most impressive industrial monuments in Europe. The oldest and only almost completely preserved Carolingian westwork in the world is located in the former Benedictine monastery of Corvey in Westphalian Höxter. And a newcomer in summer 2021: The Lower Germanic Limes with its sites in North Rhine-Westphalia, the Netherlands and Rhineland-Palatinate has been added to the list of cultural heritage sites.

Foreign Driving License in Germany

Germany has different categories of licenses for operating heavy trucks, cars, and motorcycles. Foreign driver's licenses are usually recognized by the German authorities. However, a national driver's license must first be translated if it was not issued by one of the European member states or a country belonging to the European Economic Area (EEA).

German translations can be performed by the German automobile clubs (most common is the ADAC) or internationally recognized automobile clubs of the issuing state. A translation is not required for international driver's licenses. The Federal Republic of Germany waives the need for a translation for some countries (Andorra, Hong Kong, Monaco, New Zealand, San Marino, Switzerland, and Senegal).

Foreign driver's licenses not issued in a country belonging to the EU or EEA only retain their validity for six months after the driver has taken up residence in Germany. After this period, permission to drive expires, and a German driver's license must be obtained.

Motor Liability Insurance

A prerequisite for the registration of a motor vehicle in Germany is a motor vehicle third party liability insurance policy (Kraftfahrzeug-Haftpflichtversicherung), which is mandatory. The use of a motor vehicle is not covered by general private liability insurance, which, unlike the motor vehicle third party liability insurance policy, is optional.

However, private liability insurance is also recommended as it insures the policy holder and his or her family against claims for damages. As the liability of private persons is not limited under German law, the importance of private liability insurance should not be underestimated and is generally advisable.

#NRWorldWide

Represented worldwide:

NRW.GLOBAL BUSINESS

Headquarters

NRW.Global Business GmbH
Trade & Investment Agency of the German State of
North Rhine-Westphalia (NRW)
Felix Neugart
Völklinger Straße 4
40219 Düsseldorf, Germany
+49 211 13000-0
nrw@nrwglobalbusiness.com
www.nrwglobalbusiness.com

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NRW.Global Business GmbH
Trade & Investment Agency
of the German State of
North Rhine-Westphalia (NRW)
Völklinger Straße 4
40219 Düsseldorf, Germany
+49 211 13000-0
nrw@nrwglobalbusiness.com
www.nrwglobalbusiness.com

Responsible: (acc. to press law)
Annette Peis, General Manager
Marketing / Press
Position as at: July 2025

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Foreign offices

NRW. Global Business Japan / Tokyo (NRW Japan K.K.)

Dr. Carolina Kawakubo
Phone: +81 3 52102300
Email: contact@nrwglobalbusiness.co.jp

NRW.Global Business (North America) LLC / Chicago

Helena Gittelman
Phone: +1 312 6297500
Email: helena@nrwglobalbusiness-usa.com

NRW.Global Business (North America) LLC / South East

Daniel Dueren
Phone: +1 229-460-6104
Email: daniel@nrwglobalbusiness-usa.com

NRW.Global Business (North America)

LLC / West Coast

Jörg Rose
Phone: +1 424 262 6221
Email: joerg@nrwglobalbusiness-usa.com

NRW.Global Business China / Beijing

Xingliang Feng
Phone: +86 10 65907066
Email: beijing@nrwglobalbusiness.cn

NRW.Global Business China / Guangzhou

Jie Liang
Phone: +86 20 32215613
Email: guangzhou@nrwglobalbusiness.cn

NRW.Global Business China / Nanjing

Xiadong Wang
Phone: +86 25 52270000
Email: nanjing@nrwglobalbusiness.cn

NRW.Global Business India / Bangalore

Ambika Banotra
Phone: +91 9110215076
Email: ambika.banotra@
nrwglobalbusiness.co.in

NRW.Global Business Israel / Tel Aviv

Gabriele Tabach
Phone: +972 3 6806800
Email: gabriele@nrwglobalbusiness.co.il

NRW.Global Business Poland / Warsaw

Oliver Burrak
Phone: +48 572 703 062
Email: burrak@nrwglobalbusiness.pl

NRW.Global Business Turkey / Istanbul

Akin Okumuş
Phone: +90 212 2491848
Email: info@nrwglobalbusiness.com.tr

NRW.Global Business United Kingdom /

London

David Schneider
Phone: +44 7551284735
Email: d.schneider@nrwglobalbusiness.uk

