

# How to do business in Germany

## Legal considerations

EU legislation forms the basis of the law for trade and commerce in Germany.

Germany is highly regulated at all levels. You should make due diligence checks before going ahead with any investment. This is particularly relevant in the case of all artisans and anything connected with the construction industry.

UK companies entering into agreements in Germany should undertake professional legal advice.

## Agent or distribution agreements

German law is far more favourable than English law to the agent when entering into agreements. This is despite moves to unify agency law within the EU.

Professional advice should be taken when entering into an agreement with a German agent.

## Intellectual property (IP)

Trademarks, designs, patents and copyright are the principal forms of Intellectual Property (IP) protection available to companies and individuals.

Having the right type of intellectual property protection helps you to stop people stealing or copying:

- the names of your products or brands
- your inventions
- the design or look of your products
- things you write, make or produce

Copyright, patents, designs and trademarks are all types of intellectual property protection. You get some types of protection automatically, others you have to apply for.

You own intellectual property if you:

- created it (and it meets the requirements for copyright, a patent or a design)

- bought intellectual property rights from the creator or a previous owner
- have a brand that could be a trade mark, eg a well-known product name

You will not usually own the intellectual property for something you created as part of your work while you were employed by someone else.

Intellectual property can:

- have more than one owner
- belong to people or businesses
- be sold or transferred

However, IP law – especially for patent protection – is not yet totally harmonised within the EU. In Germany, you should register your IP at the German Patent and Trade Mark Office (DPMA), (Deutsches Patent- und Markenamt): [www.dpma.de/english/index.html](http://www.dpma.de/english/index.html)

Contact the Intellectual Property Office (IPO), the official UK government body responsible for intellectual property (IP) rights including patents, designs, trademarks and copyright, for further information or advice: [www.gov.uk/government/organisations/intellectual-property-office](http://www.gov.uk/government/organisations/intellectual-property-office)

*[Source: UK Trade & Investment/IPO (Feb 2016)]*

Tax considerations

**Value Added Tax (VAT)** The standard rate of VAT in Germany is 19%. 7% is charged for convenience goods and services needed on a day-to-day basis such as food, newspapers or public transport.

Some services including banking, healthcare and non-profit work are VAT exempt.

Goods exported from the UK to Germany are zero-rated for VAT purposes, but the supplier must quote their customer's VAT registration number ("Umsatzsteuer-Identifikationsnummer" or "UST-IdNr") on the invoice.

Check with HM Revenue and Customs (HMRC) regarding VAT refund of business expenses incurred in Germany. See: [www.gov.uk/government/publications/vat-notice-723a](http://www.gov.uk/government/publications/vat-notice-723a)

**Company/corporate tax** Germany does not have the same nationwide tax rate for companies.

Corporate tax rates are at about 30% on average depending on the local municipality.

On the federal level, corporations, such as limited liability companies (GmbH) and stock corporations (AG), are subject to the corporate income tax. Partnerships have to pay personal income taxes (Einkommensteuer) instead.

On the local level, all companies are subject to the trade tax (Gewerbesteuer) raised by local municipalities. Due to this local tax, the overall tax burden can vary by up to 10% between different locations.

**Income tax** All partnerships, such as civil law partnerships (GbR) and limited partnerships (KG), have to pay personal income taxes (Einkommensteuer) instead of corporate income tax.

Personal income tax rates:

- begin at 14% for annual incomes above EUR €8,354
- rise to 42% for annual incomes of EUR €52,882
- increase to 45% for incomes above EUR €250,731

In addition, a solidarity surcharge of 5.5% of the personal income tax rate has to be paid.

*[Source: UK Trade & Investment (Feb 2016)]*

## Customs

The internal market of the European Union (EU) is a single market in which the free movement of goods, services, capital and persons is assured, and in which citizens are free to live, work, study and do business.

Since its creation in 1993, the single market has opened itself more to competition, created jobs, and reduced many trade barriers. The Single Market Act was put forward in two parts, in 2011 and 2012, containing proposals to further exploit the opportunities afforded by the single market, in order to boost employment and improve confidence in European business. See: [www.ec.europa.eu/growth/single-market/smact/index](http://www.ec.europa.eu/growth/single-market/smact/index)

Therefore as a single market allowing the free movement of goods and services, no import duties are applicable.

*[Source: UK Trade & Investment/gov.uk (Feb 2016)]*

## Documentation

You don't need any documentation for moving goods to Germany from the UK. This does not apply to excise or controlled goods, which still require documentation.

## Standards and technical regulations

Products and packaging should meet EU standards. Packaging plays an important role in the choice of a product by German consumers. It is essential that great care is taken in conforming to German tastes.

*[Source: UK Trade & Investment (Feb 2016)]*

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