ATLAS
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CASH MANAGEMENT

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The Federal Republic of Germany is the leading economy in the Eurozone both in population terms (83 million inhabitants, a quarter of the Eurozone's 341 million total) and its share of Eurozone GDP (more than one third). GDP per head is 20% above the Eurozone average, making it one of the most prosperous Eurozone countries.

Germany is the world's fourth largest economic power after the US, Japan and China, and the third largest exporter after China and the US. The manufacturing sector plays a vital role in the economy. It accounts for almost 20% of employment and contributes almost a quarter of total value added. However, industry's central role makes Germany's economy more cyclical than some of its neighbours.

The Federal Republic comprises sixteen states (Bundesländer). Each state has its own state constitution, and is largely autonomous concerning its internal organisation. The most prosperous states are Bayern and Baden Württemberg in the southern part of the country. GDP per capita in these states are about 15% higher than the German average. The dynamism of the area is largely due to its sector specialisation. Manufacturing production makes up around 30% of production, and is concentrated in hi-tech industries. Eastern regions have done reasonably well in the past couple of years. This was partly a catch up effect. Nevertheless, GDP per head in the Eastern Länder, excluding Berlin, was still about 25% lower than in the country as a whole. The Western and Northern Länder have seen the most sluggish growth over the past few years. The region is home for Germany's heavy industry. Activity is mainly driven by robust domestic demand, while external demand has contributed little to economic growth.

The Covid-19 crisis has severely affected the country although less than the surrounding countries. Because of rigorous testing, the country was able to keep the rate of infections, hospitalisations and death relatively low. Nevertheless, the economy shrank by around 4.6% in 2020. In 2021, the economy is expected to rebound by around 3%.

The German general election was narrowly won by the SPD (social-democrats) headed by finance minister Olaf Scholz. According to the preliminary results, the party obtained 25.7% of the vote. Mr Scholz is seeking to form a coalition government with the Greens and the liberal FDP. This process is expected to take several months. During this time, the current grand coalition between CDU/CSU (Christian democrats) and SPD headed by Angela Merkel will remain in place.

Summary

BNP Paribas presence

BNP Paribas has been active in Germany since 1947 and is one of the most significant foreign banks operating in the country with more than 5,000 employees. The bank supports its customers in Germany through 8 business centres (Berlin, Cologne, Frankfurt, Hamburg, Hanover, Munich, Nuremberg, Stuttgart) and offers a comprehensive portfolio of cash management and trade finance services. These include innovative solutions such as virtual IBAN. BNP Paribas is a member of the Deposit Protection

Fund of the Association of German Banks.

Currency

Currency

- Germany uses the euro (EUR).

Exchange rates

	2015	2016	2017	2018	2019	2020
Exchange rate: EUR per USD	0.9017	0.9040	0.8873	0.847	0.89	0.88

Source: IMF, International Financial Statistics, July 2021.

Central Bank

- The German central bank is the Bundesbank (www.bundesbank.de).
- The Bundesbank is a member of the European System of Central Banks (ESCB) and operates certain activities, such as issuing currency, under the authority of the European Central Bank (ECB – www.ecb.europa.eu).

Bank Supervision

- In November 2014, the ECB, via the Single Supervisory Mechanism (SSM), assumed responsibility for supervising the financial stability of banks operating within the euro zone. However, while the ECB has final supervisory authority over all banks operating within the euro zone, it will only directly supervise those banks classified as ‘significant’ under the terms of the SSM (115 significant banking groups have been recognized to date). ‘Less significant’ banks will continue to be supervised by the national supervisory authority, BAFin (Bundesanstalt für Finanzdienstleistungsaufsicht – www.bafin.de), which reports to the Federal Ministry of Finance

Bank accounts

Resident / non-resident status

- A company is generally considered resident in Germany if its place of effective management is located in Germany, or it is legally registered there.

Bank accounts for resident entities

	Within GERMANY	Outside GERMANY
Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.

Bank accounts for non-resident entities

	Within GERMANY	Outside GERMANY
Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	Not applicable

Lifting fees

- 'Per mille' fees are applied on payments between resident and non-resident accounts.
- Multinational companies are often able to negotiate a fee structure.

BNP Paribas Cash Management Capabilities

Collections

Cash collections	✓
Cheque collections	✓
Direct debit collections	✓
Domestic incoming transfers	✓
Virtual IBAN	✓
Virtual accounts	✓
International incoming transfers	✓
Card acquiring	✓

Payments

Cash withdrawals	✓
Cheque payments	✓
Direct debit payments	✓
Domestic outgoing transfers	✓
Commercial cards	
Virtual cards	✓
International outgoing transfers	✓
SWIFT gpi	✓
Real-time international payments through BNP Paribas’ network	
Card issuing	✓

Channels

Local e-Banking	✓
Global e-Banking - Connexis	✓
SWIFT/ host to host	✓

Payments & collections

Market overview

Electronic credit transfers are the predominant instrument used by companies to make supplier, payroll and tax payments. Direct debit use is high in Germany; the number of direct debits per capita is 250% more than the EU average. Card use is increasing in Germany, albeit from a low base. According to a central bank report, 30% of all recorded payments at the point of sale in 2020 were made using a card. Cash payments accounted for 60%.

E-wallet transactions are available, but adoption figures are low. The dominant electronic wallet scheme, GeldKarte, is often incorporated into debit cards, but other mobile payment schemes including Google Pay and Apple Pay are available. PayPal is the most widely used digital wallet.

Electronic banking services are available from most banks. Domestic companies primarily use MultiCash or MultiWeb, both of which support EBICS. Multinational companies also use the SWIFT for Corporates messaging standards. Transaction and balance reporting, automated end-of-day sweeping, and some transaction initiation services are available on a domestic and cross-border basis.

Payment Systems

TARGET2 - BBK	Type	• Real-time gross settlement. • German component of the pan-European TARGET2 system.
	Participants	• 683 direct and 120 indirect.

	Transaction types processed	• High-value and urgent EUR-denominated domestic and cross-border credit transfers.
	Operating hours	• 07:00 -18:00 CET, Monday to Friday.
	Clearing cycle details (e.g. cut-off times)	• Payments are cleared and settled in real time. • Interbank payment cut-off time = 18:00 CET.
	System holidays	• TARGET2 is closed at weekends and on 1 January, Good Friday, Easter Monday, 1 May, and 25 and 26 December.
EMZ	Type	• Gross settlement.
	Participants	• 182 participants.
	Transaction types processed	• EUR-denominated domestic cross-border payments. • SEPA payments (credit transfers and direct debits). • Cheques, which must be truncated into electronic items before processing. Cheques with a value greater than EUR 6,000 are processed via the image-based collection (ISE) procedure. Cheques with a value below EUR 6,000 are processed via the paperless cheque collection (BSE) procedure.
	Operating hours	• 24 hours a day.
	Clearing cycle details (e.g. cut-off times)	• SEPA direct debits and SEPA credit transfers. Cut-off times = 10:00 CET and 15:00 CET respectively, for same-day settlement. • Truncated cheques. Cut-off times = 10:00 for same-day settlement and 20:00 CET for next-day settlement.
	System holidays	• The EMZ is closed on all German bank holidays. Individual state-holidays also effect the EMZ's operations. • Germany’s bank holidays are: • 2nd half 2021: 3 October, 24–26, 31 December. • 2022: 1 January, 15, 18 April, 1, 26 May, 6, 16 June, 3 October, 24–26, 31 December.

Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments.

- SEPA credit transfers can be settled via the EMZ, STEP2 (accessed via the EMZ), or bilaterally via correspondent banking networks.
- Approximately 1,426 banks in Germany participate in the SEPA credit transfer scheme.
- High-value and urgent domestic and cross-border (within the euro zone) credit transfers can be settled in real time via TARGET2-BBK.
- High-value and urgent cross-border credit transfers can also be settled with end-of-day value via the Euro Banking Association's EURO1 system. Fourteen banks in Germany participate directly in EURO1.
- High-value cross-border credit transfers in domestic and other currencies can be processed via SWIFT, correspondent banking and bank branch networks.
- The Bundesbank processes cross-border payments in EUR or foreign currencies via its Customer Access Mechanism (CAM). CAM is divided into three subsystems: CAM-Individual, CAM-SEPA and CAM-IMPay (for international mass payments). CAM is affiliated to over 100 countries outside Germany.
- The European Payment Council’s SCT Inst scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) enables the transfer of funds (the maximum threshold value is EUR 100,000) to another account in less than ten seconds.
- EBA Clearing and Italy’s SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standards for instant payments. As of June 2021, there were 1,252 SCT Inst particopants.
- EBA Clearing has launched a pan-European request to pay (R2P) infrastructure solution with the support of 27 payment service providers from 11 countries. The new 24/7 service is compatible with the SCT and SCT Inst schemes and allows payees to take the initiative to request a specific payment from the payer.
- TIPS is a pan-European service for the settlement of instant payments in central bank money. The service enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. TIPS is aligned with SCT Insts. It is primarily focused on EUR payments but is technically capable of settling payments denominated in other currencies.

Direct debits

- Direct debits are used for regular payments, such as utility bills.
- SEPA direct debits can be settled on a same-day or next-day basis via the EMZ or STEP2.
- There are 1,414 Core SDD participants and 1,359 B2B SDD participants.

Cheques

- The cheque is not a common cashless payment instrument in Germany. It is primarily used by large companies.

- Cheques are primarily used by large companies.
- Cheques with a value greater than EUR 6,000 are processed through the ISE.
- Cheques with a value of EUR 6,000 or below are processed via the BSE.
- Low-value cheques can also be processed via the German savings banks and cooperative banks' proprietary systems.

Card payments

- Card payments are increasingly popular, especially for retail transactions.
- There were 115.6 million debit cards and 37.3 million credit cards in circulation at the end of 2019.
- Maestro and Visa-branded debit cards are the most widely issued.
- Visa and MasterCard-branded credit cards are the most widely issued.
- American Express and Diners Club credit cards are also available.
- Debit card payments are processed via the EMZ.
- Credit card payments are processed by the card issuing company.
- Contactless card technology is available in Germany.
- All cards issued are SEPA-compliant with EMV chips.

ATM/POS

- There were 95,289 ATMs in Germany at the end of 2019.
- There were 1.34 million POS terminals in Germany at the end of 2019.
- All ATMs and POS terminals are EMV-compliant.

Electronic wallet

- The dominant electronic wallet scheme, *GeldKarte*, is often incorporated into debit cards.
- There were 74.4 million cards with a GeldKarte function in circulation at the end of 2019.
- Mobile payment schemes are available. The German public savings bank system, Sparkassen, has its own mobile payment scheme.
- E-money payments are settled via the EMZ.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are permitted for residents and non-residents.

Demand deposits

- Demand deposits are available for residents and non-residents.

Time deposits

- Time deposits are available in or major foreign currencies for terms ranging from one night to more than one year.

Certificates of deposit

- Domestic banks issue certificates of deposit (CDs) for terms ranging from one to six months. Longer maturities are possible for investments greater than EUR 1 million.
- CDs can be issued paying fixed or variable interest.

Treasury (government) bills

- The German government issues two types of Treasury bills (T-bills):
    - T-bills issued at a discount, from six months to two years, which do not pay interest; and
    - T-bills issued at a fixed rate, with tenors from three months to more than two years.
- *Bubills* are issued by the German Finance Agency. These are zero-coupon T-bills and are issued with maturities of six months.
- *Bunbesschatzanheisungen* are issued by the Bundesbank with maturities of two years.

Commercial paper

- Domestic commercial paper is issued by large companies and banks with terms ranging from one week to two years.
- Euro commercial paper (ECP) is issued by larger companies with a published credit rating. ECP can be issued in a range of currencies.

Promissory notes

- German companies issue promissory notes (*Schuldscheindarlehen*) with maturities of two to ten years.

Money market funds

- Domestic money market funds are increasingly popular short-term investment instruments.

Repurchase agreements

- Repurchase agreements with maturities ranging from overnight to one week are commonly available in Germany. Longer terms are sometimes available.

Banker's acceptances

- Banker's acceptances are used and have maturities of between one and three months.

BNP Paribas Trade Finance Capabilities

Trade payments

Documentary credits	✓
Documentary collections	✓

Guarantees

Bank guarantees	✓
Standby letters of credit	✓

Supply chain management

Receivables	✓
Payables	✓
Inventory	✓

Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	✓
Connexis Connect	✓
Connexis Guarantee	
SWIFTnet Supply Chain	

- BNP Paribas' Global Trade Solutions (GTS) team in Germany has senior trade managers in each of its 9 business centres, providing local support to corporations across Germany. In addition, centralised GTS operations are located in Frankfurt with 15 senior officers. Together, this team provides a comprehensive, integrated trade finance offering to corporations headquartered in, and operating in Germany.

International trade

General trade rules

- As a member of the EU, Germany follows the EU customs code and applies all associated regulations and commercial policies.
- Trade with other countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.

Trade agreements

- The EU has trade agreements in place with over 30 countries.
- The EU is currently in free trade negotiations with a number of countries, including the Association of Southeast Asian Nations (ASEAN), Australia, Indonesia, Mercosur (the Southern Common Market), Uruguay and the USA.
- The EU-UK Trade and Cooperation Agreement came into force on 1 May 2021.

Imports / exports

Imports	Cars and vehicle parts	Crude oil	Packaged medicines	Refined oil	Medical cultures/vasccines			
Primary Import sources	Netherlands (9%)	China (8%)	France (7%)	Belgium (6%)	Poland (6%)	Italy (6%)	Czech Republic (5%)	USA (6%)
Exports	Motor vehicles	Vehicle parts	Industrial machinery	Aircraft	Pharmaceuticals			
Export markets	USA (9%)	France (8%)	China (7%)	Netherlands (6%)	UK (6%)	Italy (5%)	Poland (5%)	Austria (5%)

Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD bn	1,304	1,420	1,528	1,461	1,361
	- services USD bn	292	320	354	352	311
Imports	- goods USD bn	1,024	1,134	1,261	1,218	1,144
	- services USD bn	315	347	374	375	309
Current account as % GDP		8.4	7.9	8.9	8.7	8.3

Source: IMF, International Financial Statistics, July 2021.

Trade finance - Imports

Documentation

- Documentation is not required for imports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to import goods into Germany from outside the EU:
  - customs declaration
  - commercial invoice
  - bill of lading
  - packing list
  - certificate of origin (in certain cases).

Import licences

- Import licences with quotas are required for certain textile and steel products from outside the EU.

Import taxes and tariffs

- Tariffs are set according to the EU customs code for all imports from outside the EU, with higher tariffs for agricultural imports.
- There are two free zones operating in Germany.

Financing requirements

- None

Risk mitigation

- None

Prohibited imports

- Germany prohibits the import of certain items in line with EU regulations and UN Security Council resolutions.
- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

Trade finance - Exports

Documentation

- Documentation is not required for exports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to export goods from Germany outside the EU:
    - customs declaration
    - commercial invoice
    - bill of lading
    - packing list
    - certificate of origin (in certain cases).

Export licences

- Export licences are required for military equipment, and dual-use items, as well as any items subject to international export controls.

Export taxes and tariffs

- None

Financing requirements

- None

Risk mitigation

- Germany has implemented the EU directive on export credit insurance.
- Euler Hermes Deutschland provides state-supported export credit insurance. Euler Hermes Deutschland administers the German federal government’s Export Credit Guarantee Scheme and Investment Guarantee Scheme.
- Export credit insurance is also available from private insurance companies.
- KfW, the state-owned development bank, provides state-supported export credit through its subsidiary, KfW IPEX-Bank.
- Export credit is also available privately from commercial banks.

Prohibited exports

- Germany prohibits the export of certain items in line with EU regulations and UN Security Council resolutions.

Regulatory requirements

Reporting regulations

- Transactions with a value of EUR 12,500 or above between resident accounts and accounts held by non-residents must be reported on a monthly basis. Reports must be received by the Bundesbank by the seventh day of the following month. Payments for exports and imports of goods are not to be reported.
- If a resident entity has assets or liabilities exceeding EUR 5 million, the resident entity must report this to the Bundesbank on a monthly basis. Reports must be received by the Bundesbank by the 20th day of the following month.

Exchange controls

- Controls apply to financial credits from resident pension funds/insurance companies to non-residents from outside the OECD and EEA.
- Restrictions apply to foreign investment in specific industries (radio and television broadcasting, German shipping and airlines).

Taxation

Resident / non-resident

- A company is considered resident if its legal seat or place of effective management is located in Germany.

Tax authorities

- Federal Ministry of Finance.
- Federal Central Tax Office.
- Ministry of Finance of the German states.

Tax year/filing

- The tax year is 12 months or the period for which accounts are prepared, if shorter. The tax accounting period may not exceed 12 months in total..
- The tax return generally must be filed by 31 May of the year following the tax year; extension of the filing deadline to 31 December of the year following the tax year typically is granted if a tax advisor is involved.
- Quarterly advance payments of corporate tax are due in March, June, September and December. Quarterly advance payments of trade tax are due in February, May, August and November. Certain COVID-19 measures allow for a deferral under specific circumstances.

- Although companies may be taxed on a consolidated basis, each company must file a separate tax return (except for VAT). Tax consolidation for corporate income tax and municipal trade tax purposes (*Organschaft*) requires that the parent in the consolidation hold the majority of the voting rights in the subsidiary from the beginning of the subsidiary's fiscal year. The parties must conclude a profit and loss transfer agreement, which must be in force and carried out for at least consecutive five years, unless an important reason exists for termination of the agreement (e.g. sale of the subsidiary) before the end of the five-year period. Strict formal requirements for a profit and loss transfer agreement apply. Tax consolidation for VAT purposes does not require a profit and loss transfer agreement, but the subsidiary in the consolidation must be financially, organisationally and economically integrated in the parent company.

Financial instruments

- There are no specific tax rules in place to determine the tax treatment of financial instruments (for example, bonds, money market instruments, derivatives).

Interest and financing costs

- Other than transfer pricing, thin capitalisation rules and the provisions for business/trade tax purposes, there are no further rules that disallow the deduction of interest and other financing costs.

Foreign exchange

- Gains and losses are determined using the foreign exchange rate prevailing at the time of acquisition and sale.
- German GAAP rules require that assets and liabilities denominated in a foreign currency have to be converted into EUR at the prevailing spot exchange rate on the balance sheet closing date.

Advance tax ruling availability

- It is possible to obtain binding information from the tax authorities for a fee. The fee is determined according to the value of the binding information for the taxpayer; if the value of the binding information for the taxpayer is less than EUR 10,000, no fee is charged.
- Advance pricing agreements are possible if a double tax treaty is applicable and provides for a mutual agreement and consultation procedure comparable to section 25 of the OECD Model Convention (subject to a fee).

Capital gains tax

- Capital gains and losses are recognised on a realised basis and generally calculated as the difference between the sale price and the book value of the asset, less incidental costs.
- One hundred per cent of the gain derived by a corporation from the sale of shares in German or foreign companies is generally tax-exempt (regardless of the size of the shareholding or any minimum holding period). Five per cent of the gain, however, is deemed a non-deductible business expense and is subject to tax. Correspondingly, capital losses derived from the sale of shares are not tax deductible. Other expenses connected with the shareholding are tax deductible unless they are required to be capitalised, or constitute a write-off of the investment. The 95% exemption is not applicable if the shares are held by banks and financial service institutions for trade purposes.
- Capital gains derived from the sale of other assets are generally taxed at ordinary corporate income tax and trade tax rates. Corresponding capital losses are, in general, deductible.

Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	0%/ 26.375%	0%/ 26.375%	None	0%/ 15.825%/ 26.375%
Non-resident entities	0%/ 26.375%	0%/ 26.375%	15.825%	0%/ 15.825%/ 26.375%

- The above tax rates include the solidarity surcharge.
- A withholding tax is not definitive taxation for corporations which must submit tax returns in Germany; such corporations still have to include the income in the tax returns and thus they can credit the (German) withholding taxes against the assessed corporate income tax.

Interest

- Withholding tax generally is not levied on interest paid to residents or non-residents, except for interest on publicly traded debt, interest received through a German payment agent (usually a bank), convertible bonds, and certain profit participating loans. The statutory rate is 26.375% (25% plus the solidarity surcharge). Where interest is paid to non-residents, the rate may be reduced under a tax treaty or an exemption may be available if the EU interest and royalties directive applies..

Dividends

- A withholding tax of 26.375% (25% plus the solidarity surcharge) is levied on dividends paid to resident corporations; the tax typically is creditable against the corporate income tax or refundable for resident companies, and partially (40%) creditable against the individual income tax or refundable for resident individuals.
- A withholding tax of 26.375% (25% plus the solidarity surcharge) applies to dividends paid to non-residents, with a possible 40% refund for non-resident corporations, giving rise to an effective rate of

15.825%, unless the rate is reduced under a tax treaty. No tax is levied on dividends qualifying under the EU parent-subsidiary directive (PSD). The distributing company may apply the exemption under the directive or a reduced withholding tax rate under a treaty only if the recipient obtains a clearance certificate from the tax authorities in advance and president the certificate before the payment is made; otherwise, a refund may be possible.

Royalties

- Royalty income is not subject to withholding tax for resident corporations.
- In the case of EU corporations, royalty income is generally exempt from withholding tax on application to the German tax authorities (application of EU Interest and Royalties Directive), subject to meeting the necessary conditions. However, tax will still be withheld at source at a rate of 15.825% (15% plus the solidarity surcharge), and a refund or exemption must be applied for.
- For other non-resident corporations subject to a double taxation treaty, Germany is generally not granted taxation rights for royalty income. However, tax will still be withheld at source at a rate of 15.825% (15% plus the solidarity surcharge) and a refund must be applied for.
- Tax will be withheld a rate of 15.825% (15% plus the solidarity surcharge) at source for other non-resident corporations.

Other income

- Different rates of withholding tax can apply to other income for non-resident corporations depending on the terms of any double taxation treaty with the particular country, or as a result of an EU directive. However, tax may still be withheld at source at the applicable German tax rate, and a refund or exemption must be applied for.

Tax treaties / tax information exchange agreements (TIEAs)

- Germany has an extensive tax treaty network with various countries. Different rates of withholding tax can apply to dividends, interest and royalties, depending on the terms of the agreement with the particular country, or as a result of an EU directive. Furthermore, there are six inheritance and gift tax treaties.
- Germany has exchange of information relationships with 116 jurisdictions through 96 double tax treaties and 22 TIEAs.
- Germany, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, has signed a multilateral co-operation agreement with 30 other countries (’the MCAA’). Under this multilateral agreement, information is exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).
- With country-by-country reporting, tax administrations of jurisdictions where a company operates have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It also covers information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information is collected by the country of residence of the MNE group and then exchanged through exchange of information supported by such agreements as the MCAA.

Thin capitalisation

- German thin capitalisation rules are an interest limitation rule.
- Interest expense that exceeds interest income is only deductible up to an amount of 30% of taxable earnings before interest, taxes, depreciation, amortisation and rental/leasing fees (tax EBITDA). All types of debt financing (including bank debt) are covered.
- The interest limitation rule includes three exceptions from the general rule, which apply if:
- The balance of interest income and interest expenses does not exceed EUR 3 million (threshold);
- The corporate entity does not belong to a group of affiliated companies (standalone exception); or
- The corporate entity is part of a group of affiliated companies and its equity ratio is not worse than the equity ratio of the group, or is not more than 2% less than the overall equity ratio of the group based on the IFRS accounts (equity ratio comparison or group exception).
- A 'tax EBITDA carry forward' is allowed. A tax EBITDA carry forward will be generated if a taxpayer has net interest expenses lower than 30% of the EBITDA for tax purposes (excess EBITDA). The excess EBITDA can be carried forward indefinitely to offset any interest expenses exceeding the 30% of EBITDA threshold in following years. A tax EBITDA carry forward does not apply if any of the above exceptions (threshold, standalone exception or equity ratio comparison or group exception) applies. Disallowed interest expense will not trigger withholding tax.

Transfer pricing

- Business dealings between related persons must be in accordance with transactions that would have been agreed upon by independent third parties dealing at arm's length, whereby the underlying principle is the normal degree of commercial prudence shown by a sound and conscientious business manager. Taxpayers are required to document all facts and evidence that support their positions. Specific transfer pricing rules apply to cross-border intragroup transfers of functions. An exit tax will be imposed on the '"profit potential'" that is deemed to be transferred based on the discounted cash flow value of the subsidiary/branch before and after the restructuring. Germany generally applies the authorised OECD approach.

Stamp duty

- There is no stamp duty in Germany.

Cash pooling

- There are no specific tax rules that apply to cash pooling arrangements.

Financial transactions / Banking services tax

- No specific financial transactions or banking services taxes apply to services, loans, money transfers, letters of credit and/or foreign exchange.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2021 (www.deloitte.com).

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