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# Germany

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## 1 Connection Factors

### 1.1 To what extent is domicile or habitual residence relevant in determining liability to taxation in your jurisdiction?

German law does not recognise the concept of domicile. In Germany, tax liability is determined by the concept of residence. An individual has German residence for tax purposes if he or she has either a permanent home or a habitual abode in Germany. The worldwide income and assets of individuals whose permanent home or habitual abode is located in Germany (hereinafter referred to as: "residents") are subject to:

- income tax; and
- inheritance and gift tax ("IGT").

### 1.2 If domicile or habitual residence is relevant, how is it defined for taxation purposes?

An individual's habitual abode is at the place where he or she stays under circumstances that allow the assumption that the stay is not only temporary. Generally, a person is deemed to have a habitual abode in Germany if he or she spends more than six months in Germany without any significant interruptions.

An individual has his or her permanent home in Germany if he or she maintains a dwelling in Germany under circumstances indicating that he or she will maintain and use such dwelling.

### 1.3 To what extent is residence relevant in determining liability to taxation in your jurisdiction?

See question 1.1.

### 1.4 If residence is relevant, how is it defined for taxation purposes?

See question 1.1.

### 1.5 To what extent is nationality relevant in determining liability to taxation in your jurisdiction?

Generally, German nationality does not trigger any tax liability in Germany. However, German citizens may be subject to extended tax liability after emigration from Germany (see question 11.4).

### 1.6 If nationality is relevant, how is it defined for taxation purposes?

See question 1.5.

### 1.7 What other connecting factors (if any) are relevant in determining a person's liability to tax in your jurisdiction?

Besides permanent home and habitual abode, there are no other connecting factors for an individual's tax liability with his or her worldwide income in Germany. However, even if an individual has no permanent home or habitual abode in Germany, income tax is generally levied on his or her German-sourced income.

## 2 General Taxation Regime

### 2.1 What gift, estate or wealth taxes apply that are relevant to persons becoming established in your jurisdiction?

Individuals becoming established in Germany may be liable to taxes if they take up a permanent home or habitual abode in Germany. IGT applies if either the transferor or the transferee is a resident in Germany.

IGT rates range from 7 to 50 per cent depending on the relationship between the transferor and the transferee and the value of the assets transferred. Spouses and descendants pay IGT at a rate of 7 to 30 per cent. Transfers between most other relatives are taxed at a rate of 15 to 43 per cent. Between unrelated persons, the applicable tax rate is 30 or 50 per cent (for more than EUR 6 million).

The following tax-free allowances apply:

- spouses receive a personal allowance of up to a maximum of EUR 500,000 and a maintenance allowance of up to a maximum of EUR 256,000; and
- descendants receive a personal allowance of up to a maximum of EUR 400,000 and an age-dependent maintenance allowance of up to EUR 52,000.

Wealth tax has not been levied in Germany since 1997. Since then, there have already been numerous impulses in the political landscape for either reintroducing the tax or introducing a one-time wealth fee. This demand could even be found in some of the parties' election programmes for the 2021 federal election. Given the current coalition in the federal government, the introduction of a wealth tax is unlikely.

**2.2 How and to what extent are persons who become established in your jurisdiction liable to income and capital gains tax?**

Persons becoming established in Germany are treated as residents if they have a permanent home or habitual abode in Germany. Income tax is imposed on the worldwide income of individuals whose tax residence is located in Germany.

There are seven types of income:

- income from agriculture and forestry;
- income from trade or business;
- income from self-employment;
- income from employment (salaries and wages);
- income from capital and capital gains;
- income from letting property, especially real property and groups of assets; and
- other income (e.g., income from a pension or leases of movable assets).

The tax rate ranges from 14 to 45 per cent progressively. In addition, a solidarity surcharge of 5.5 per cent of the tax due is levied. On 1 January 2021, the solidarity surcharge was completely abolished for 90 per cent of income taxpayers. Currently, only high earners, and investors who have exhausted their savings allowance, as well as limited liability companies and other corporations, are still subject to the surcharge. The income threshold above which the surcharge must be paid is currently being increased every year up to and including 2026. The Federal Constitutional Court ruled in March 2025 that the solidarity surcharge is not unconstitutional. A basic personal allowance of the taxable income is not subject to taxation (EUR 10,908 for single taxpayers and EUR 21,816 for married taxpayers for the tax assessment period 2023). For the taxation of capital gains, see question 4.1.

**2.3 What other direct taxes (if any) apply to persons who become established in your jurisdiction?**

Any business is liable to trade tax, as far as it is operated through a permanent establishment in Germany, except for freelance professions or any other independent personal services. The tax rate is determined by the local authorities of the relevant municipality. However, trade tax may generally be credited against the individual's personal income tax.

At the discretion of the relevant local authority, an annual property tax may be due on the value of real estate (a standardised value that does not reflect the property's fair market value). The German Federal Constitutional Court held that the property values that were last assessed in 1964 or 1935 are inconsistent with the constitutional principle of equality of taxation. In November 2019, the German Parliament therefore introduced a reform law that includes new valuation rules for the period from 1 January 2022 onwards. In future, real estate values must be assessed every seven years. The property tax calculated on the basis of the new real estate values is levied from 1 January 2025. In addition, the reform allows local authorities to determine a higher tax rate on undeveloped property, which is ready for development, from 2025. However, the constitutionality of the reform and the new assessment methods are already being questioned and legal actions against the new provisions have already been initiated. The standardised valuation of properties is viewed as problematic. Therefore, the Federal Fiscal Court has interpreted the new law in such a way that, in individual cases, it must be possible to demonstrate lower values.

**2.4 What indirect taxes (sales taxes/VAT and customs & excise duties) apply to persons becoming established in your jurisdiction?**

Generally, all goods and services provided by an entrepreneur in Germany are subject to VAT, unless they are tax-free. The general VAT rate is 19 per cent. There is a reduced VAT rate of 7 per cent, which applies, in particular, to the supply of nearly all food – except beverages and restaurant dishes.

In addition, excise duties are levied on certain goods. For example, energy tax, electricity tax and taxes on alcohol, tobacco and coffee exist.

**2.5 Are there any anti-avoidance taxation provisions that apply to the offshore arrangements of persons who have become established in your jurisdiction?**

For persons who have become established in Germany by tax residency (see question 1.1), controlled foreign company ("CFC") rules may apply for offshore corporations controlled by them.

For shareholders of foreign corporations claiming a relief from withholding tax, the Income Tax Act provides for a substance test in order not to grant the relief to shareholders of corporations established solely to allow such a relief.

Income of an offshore family foundation or trust may be allocated to the settlor or the beneficiaries if they become residents in Germany.

In addition, the Defence Against Tax Havens Act came into force on 30 June 2021. In particular, this act prohibits the deduction of business expenses and work-related expenses arising from business transactions with individuals, corporations, partnerships or assets domiciled in a non-cooperative tax jurisdiction. Moreover, the CFC rules are tightened where intermediate companies are resident in tax havens. Furthermore, stricter withholding tax measures will also apply; for example, in cases where interest payments are made to persons who are resident in tax havens. For the purposes of the Defence Against Tax Havens Act, "non-cooperative tax jurisdictions" are all countries on the EU's blacklist.

Individuals who have been subject to unlimited income tax liability in Germany for a total of seven years during a 12-year period may be subject to a drastically tightened exit taxation with regard to their privately held company shares in the event of departure from Germany (and other substitute circumstances). In particular, the interest-free, indefinite deferral in the case of a relocation of EU/EEA citizens within the EU/EEA area is abolished and replaced by the possibility of a seven-year instalment payment.

**2.6 Is there any general anti-avoidance or anti-abuse rule to counteract tax advantages?**

If no specific anti-avoidance rule applies, a general provision in the Fiscal Code of Germany may apply in order to prevent the avoidance of taxes. According to this general provision, legal constructions are invalid if they are not intended by law and are therefore legally inappropriate, and if they lead to a tax advantage for the taxpayer or a third party.

**2.7 Are there any arrangements in place in your jurisdiction for the disclosure of aggressive tax planning schemes?**

The German Anti-Money Laundering Act contains provisions that require certain corporations, registered partnerships and

other legal entities such as trusts and foundations to disclose information about their beneficial owners in a so-called “transparency register” (“Transparenzregister”). Certain exemptions apply, for example, to stock corporations and to companies that are already listed on other registers, such as the register of companies (see question 12.3). The obligation generally only arises concerning beneficiaries with an interest exceeding 25 per cent of the shares or of the voting rights or who exercise similar control. The information must include the name, date of birth and home address of the beneficiary and the nature and value of the beneficial interest. Non-compliance may result in administrative fines of up to EUR 1 million.

Furthermore, on 21 December 2019, the German Parliament transposed Council Directive (EU) 2018/822 (“DAC 6”) into national law with effect from 1 January 2020. The new provisions oblige intermediaries to notify the tax authorities of cross-border tax arrangements first implemented after 24 June 2018.

Reporting obligations may also arise under the Act on the Automatic Exchange of Financial Account Information in Tax Matters (Financial Account Information Exchange Act, “FKAustG”).

### 2.8 Does your jurisdiction impose any exit taxes when a person leaves?

Yes. Germany levies an exit tax if an individual who was tax resident for at least seven of the last 12 years moves abroad, gifts shares to a non-resident or otherwise restricts Germany's taxing rights. It applies to corporate shareholdings of 1 per cent or more (and, from 2025, also to certain investment fund units). Unrealised gains are deemed realised at fair market value. The tax may be waived if the move is temporary and the person returns within the prescribed period without selling the shares.

## 3 Pre-entry Tax Planning

### 3.1 In your jurisdiction, what pre-entry estate, gift and/or wealth tax planning can be undertaken?

Since IGT applies if either the transferor or the transferee is a resident in Germany (see question 2.1), any gifts should be made before any of the individuals involved take up a permanent home or establish their habitual abode in Germany. Moreover, as the transfer of assets to an irrevocable and discretionary trust (or private foundation) is treated as a taxable gift (see question 9.2), such transfers should also become effective before the settlor becomes a resident in Germany.

Wealth tax has not been levied in Germany since 1997 (see question 2.1).

### 3.2 In your jurisdiction, what pre-entry income and capital gains tax planning can be undertaken?

Due to the fact that an individual becomes subject to German income tax with his or her worldwide income, any income (in particular capital gains) should be realised before entering Germany in cases where the individual finds himself or herself in a more advantageous tax situation before his or her relocation. However, with regard to business assets or real estate, gains from the sale of these assets will, in many cases, not become taxable in Germany, where a tax treaty with the state in which such property is situated is applicable. Due care should be taken where trusts or private foundations are set up before a relocation to Germany, as German tax law provides for special rules that allow the attribution of such trust's or

foundation's income to the settlor or the beneficiaries if these individuals are resident in Germany. However, certain “escape rules” apply where the relevant entity is situated in another Member State of the EU or EEC.

### 3.3 In your jurisdiction, can pre-entry planning be undertaken for any other taxes?

There are no other taxes for which pre-entry planning is necessary at the moment.

## 4 Taxation Issues on Inward Investment

### 4.1 What liabilities are there to tax on the acquisition, holding or disposal of, or receipt of income from investments made by a non-resident in your jurisdiction?

There is a withholding tax on income from capital and capital gains at a flat rate of 25 per cent. Additionally, solidarity surcharge is levied, at a rate that amounts to 26.735 per cent. If you are a member of the church, you also have to pay church tax on capital gains. Also, non-residents may claim EUR 1,000 (EUR 2,000 for married taxpayers) tax-free. However, the taxpayer may choose for his or her capital gains to be taxed at his or her individual income tax rate if this is lower than the flat rate tax.

With regard to capital gains, this basically applies to all privately held shares or bonds acquired on or after 1 January 2009. For privately held shares or bonds acquired before 1 January 2009, capital gains are only taxable if the shares form a substantial shareholding of at least 1 per cent. In this case, 60 per cent of the capital gains are taxed at a rate ranging from 14 to 45 per cent, depending on the taxpayer's individual tax bracket.

### 4.2 What taxes are there on the importation of assets into your jurisdiction, including excise taxes?

Generally, there is no tax on the import of private assets. However, the importation of goods into Germany from non-EU Member States for commercial reasons, or the importation of goods (in excess of certain amounts) that have just been acquired in non-EU Member States, may give rise to German VAT (so-called “import turnover tax”).

### 4.3 Are there any particular tax issues in relation to the purchase of residential properties by non-residents?

Residential properties are subject to a real estate transfer tax with differing regional rates ranging from 3.5 to 6.5 per cent. There are no differences between residents and non-residents in this regard.

The transfer tax generally applies to:

- the acquisition of real property; and
- the acquisition of a substantial shareholding (at least 90 per cent) in a company holding real property.

In 2021, the legislature passed a real estate transfer tax reform that toughens some of the major rules of the Real Estate Transfer Tax Act. On 1 July 2021, the rules for the transfer of real estate in the event of a change of ownership of a partnership were extended to corporations. In addition, the relevant shareholding threshold in the case of share deals and changes of ownership was lowered from 95 to 90 per cent and the holding period was extended to 10 years.

## 5 Taxation of Corporate Vehicles

### 5.1 What is the test for a corporation to be taxable in your jurisdiction?

A corporation is subject to German corporate tax with its worldwide income if its effective place of management or its statutory seat is located in Germany.

### 5.2 What are the main tax liabilities payable by a corporation which is subject to tax in your jurisdiction?

As mentioned in question 5.1, a corporation in Germany is subject to German corporate tax with its worldwide income. The current tax rate amounts to 15.825 per cent (including the solidarity surcharge). The additional trade tax of about 15 per cent is due for all corporations (see question 2.3). The corporate income tax rate will be gradually reduced under the “Tax Investment Immediate Program to Strengthen Germany as a Business Location”, starting in 2028 and decreasing in five annual steps to 10 per cent by 2032.

### 5.3 How are branches of foreign corporations taxed in your jurisdiction?

If a corporation has a branch in Germany, this branch generally constitutes a permanent establishment of the corporation. The corporation will be subject to German corporate and trade tax with all income effectively connected with this permanent establishment.

## 6 Tax Treaties

### 6.1 Has your jurisdiction entered into income tax and capital gains tax treaties and, if so, what is their impact?

With regard to income tax and capital gains tax, Germany has entered into tax treaties with more than 90 countries, including the UK and the USA. Generally, the aim of the tax treaties is to prevent double taxation by the two contracting states. However, where the treaty's application may lead to the result that none of the states may tax the relevant income, special rules in German domestic law may apply, allowing Germany to levy tax without regard of the treaty (Treaty Overrides).

### 6.2 Do the income tax and capital gains tax treaties generally follow the OECD or another model?

German income tax and capital gains tax treaties generally follow the OECD Model. However, some treaties include special provisions differing from the model convention. Furthermore, Germany also signed the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (“Multilateral Instrument” or “MLI”) and identified more than 30 of its existing tax treaties as Covered Tax Agreements to be amended through the MLI in the future.

### 6.3 Has your jurisdiction entered into estate and gift tax treaties and, if so, what is their impact?

With regard to IGT, Germany has entered into double taxation treaties with the following states:

- Denmark;
- France;
- Greece (inheritance tax for movable assets only);
- Sweden (IGT has been abolished);
- Switzerland (inheritance tax only); and
- the USA.

These treaties seek to prevent a double taxation of any estate or gift by the contracting states. Where the transferor or transferee is a German resident, Germany generally gives a tax credit for foreign IGT.

### 6.4 Do the estate or gift tax treaties generally follow the OECD or another model?

The German tax treaties in the area of IGT are largely based on the OECD Model Tax Convention on Successions, Estates and Gifts (1966/1982). However, the individual tax treaties provide specific variations or amendments of the OECD Model to adapt to the specific tax environments and requirements of the contracting states.

## 7 Succession Planning

### 7.1 What are the relevant private international law (conflict of law) rules on succession and wills, including tests of essential validity and formal validity in your jurisdiction?

For successions, the conflict of laws rules of the EU Succession Regulation have applied since 17 August 2015. They are valid in all EU Member States except Denmark and Ireland. According to the Regulation, the deceased's habitual residence at the time of his or her death instead of his or her nationality is relevant for the question of which succession law is applicable. If it is obvious that the deceased had a closer relationship to another state, that state's law applies under certain circumstances. There is, however, the opportunity to opt for the succession law of an individual's nationality by a will, a joint will or by an agreement as to succession.

Even if the EU Succession Regulation does not apply directly *vis-à-vis* third states, from the German point of view its provisions with regard to the determination of the applicable law apply accordingly.

Germany recognises the HCCH Convention on the Conflicts of Laws Relating to the Form of Testamentary Dispositions 1961 (Hague Testamentary Dispositions Convention). A will is valid if it complies with the law of any of the following:

- The state of the testator's nationality.
- The state where the testator made the will.
- The state of the testator's residence.
- The state where the assets are situated (in the case of real estate).

According to Art. 75 of the EU Succession Regulation, the HCCH Convention prevails over the provisions of the Regulation with regard to the formal validity of a will.

### 7.2 Are there particular rules that apply to real estate held in your jurisdiction or elsewhere?

The EU Succession Regulation is determined by the concept of the entity of successions. Therefore, the applicable law generally covers the worldwide estate, irrespective of whether the estate contains movable or immovable property.

**7.3 What rules (explicit or for example of public policy) exist in your jurisdiction which restrict testamentary freedom and how are they engaged? What mechanisms can a disappointed heir deploy to redress the balance?**

As a general rule, testamentary freedom cannot be restricted under German law. This means that the testator is free to choose his or her heirs and legatees and to determine how his or her estate shall be distributed. If a testator is not bound by a testamentary contract or mutual will, he or she is free to revoke his or her will prior to death. However, a will must fulfil certain formal requirements, either be a notarised or a holographic will. Furthermore, German inheritance law does provide for forced heirship, but the compulsory portion is only a monetary claim against the heir appointed by the testator. Children or spouses can claim this compulsory portion if they receive less or nothing under the will, with the statutory share amounting to half of the legal inheritance portion. Distant relatives, such as grandchildren or great-grandchildren, and the parents of the deceased are entitled to a compulsory portion only if no closer descendants exist who would exclude them under the rules of intestate succession. If assets are transferred shortly before the decedent's death, such as through gifts, the entitled person can demand that these values be added to the estate for calculation purposes. A will can also be contested in cases of formal defects or undue influence, such as incapacity, threat or deception.

**7.4 In the opening of a succession or the administration of an estate, what is the role or authority (if any) of an executor and how does the tax system reconcile role of executors of foreign estates with the status of heirs in terms of reporting and/or liability for tax?**

If an estate or parts of it are placed under executorship, many of the rights and obligations of the deceased or the heirs transfer to the executor, who manages and disposes of the estate on their behalf. If the deceased has not made special provisions, the executor carries out the will and settles the estate, normally following the testator's instructions while preparing a settlement plan. The testator can also assign additional tasks, such as managing the estate for a certain period on behalf of the heirs or limit the executor's authority. In cases where the executor only supervises the fulfilment of a beneficiary's duties without management authority, this is called a supervisory executorship. Among the executor's responsibilities is filing the inheritance tax return and ensuring payment of the inheritance tax from the estate assets. While the ultimate liability remains with the heirs or beneficiaries, the executor can be held personally liable if they fail to fulfil these duties intentionally or through gross negligence.

## 8 Powers of Attorney

**8.1 In your jurisdiction, can an individual create a power of attorney which continues to be effective after the individual has lost capacity?**

Yes, an individual can create a power of attorney which continues to be effective after the individual has lost capacity.

The power of attorney is, in principle, freely revocable at any time, unless the principal has waived this right. However, since the power of attorney does not expire, in case of doubt, upon the death of the principal, the principal may even grant

a power of attorney – which is irrevocable and also effective *vis-à-vis* the heir – for the period after his or her death.

**8.2 To what extent would such a power of attorney made by an individual in their home jurisdiction be effective to allow the attorney to deal with assets belonging to the individual which are located in your jurisdiction?**

Depending on the form of the power of attorney, the authorised attorney may perform all acts which the principal is also permitted to perform. There are no general limitations to a power of attorney (e.g., the principal can grant the power to handle all and any matters related to managing the assets of the individual granting the rights).

## 9 Trusts and Foundations

**9.1 Are trusts recognised/permited in your jurisdiction?**

Trusts are generally not recognised in Germany as Germany did not ratify the HCCH Convention on the Law Applicable to Trusts and on their Recognition 1985. Therefore, German property law does not recognise the transfer of assets located in Germany to a trust.

**9.2 How are trusts/settlors/beneficiaries taxed in your jurisdiction?**

Although trusts are generally not recognised in Germany, in particular, the following can trigger IGT:

- Setting up a foreign trust by a German resident.
- Transferring assets situated in Germany to a foreign trust.
- Distributions to beneficiaries during the trust period or upon the trust's dissolution if the beneficiary is a German resident. Distributions may also cause an income tax burden for the beneficiaries if they are liable to German tax.

German corporation tax may apply to:

- Income received by a foreign trust from German sources.
- The worldwide income of a foreign trust if its place of management is in Germany and if certain other conditions are met.

Income received by a foreign trust may be attributed to the settlor or the beneficiaries if they are German residents.

The decisions by the German Federal Fiscal Court on 25 June 2021 on matters of IGT with regard to foreign trusts resolved some previous ambiguities about the gift tax treatment of trusts in Germany. The Court clarified and confirmed criteria under which a trust qualifies as opaque or transparent for IGT purposes. The crucial factor is how much power over the transferred assets still lies with the settlor. Generally speaking, a trust is transparent if the settlor can access its funds or assets like his or her bank account. Transparent trusts are effectively considered non-existent by German tax law. Therefore, the trust's assets are attributed to either the settlor or the beneficiaries (depending on the specific circumstances). Consequently, upon their death, IGT is levied on the trust's assets. Opaque trusts, on the other hand, are treated similar to foreign foundations.

**9.3 How are trusts affected by succession and forced heirship rules in your jurisdiction?**

As trusts are generally not recognised in Germany, a German

citizen cannot form a testamentary trust. However, the creation of an irrevocable *inter vivos* trust may effectively hinder a claim under the German forced heirship rules after several years, where assets have been effectively transferred to the trust under the applicable foreign property law.

Generally, the person entitled to a compulsory share portion is entitled to an augmentation of his or her claim if assets have been transferred to a trust during a period of 10 years prior to the event of succession (so-called "Claim for Augmentation of the Compulsory Portion"). However, the value of the transferred asset is taken into account completely only within one year before the succession. The claim for augmentation decreases by 10 per cent for each year between the transfer and the succession that has passed. After 10 years, the asset transferred to the trust is not taken into account when calculating the compulsory share.

#### 9.4 Are private foundations recognised/permitted in your jurisdiction?

German law recognises two types of civil foundations:

- charitable foundations; and
- family foundations.

Recognition as a charitable foundation requires that the foundation's activity is dedicated to the altruistic advancement of the general public in material, spiritual or moral respects. These purposes shall be pursued altruistically, exclusively and directly. However, a charitable foundation may use ½ of its income for the maintenance of the founder and his or her family.

Family foundations are conducive to the maintenance and the advancement of one or more families.

#### 9.5 How are foundations/founders/beneficiaries taxed in your jurisdiction?

The formation of a charitable foundation does not trigger any IGT or real estate transfer tax if real property is transferred gratuitously to the foundation. A charitable foundation is released from almost every current form of taxation, especially corporate tax and trade tax. If certain requirements are met, the VAT for activities of a charitable foundation only amounts to 7 per cent instead of the regular tax rate of 19 per cent. The liquidation of a charitable foundation leads to an acquisition of assets on the level of the beneficiaries. This acquisition is treated as a lifetime gift. However, as the beneficiaries must be charitable organisations themselves, IGT will not be levied.

The formation of a family foundation and later donations generally trigger IGT. The current taxation of a family foundation complies with the taxation of other legal persons. Thus, it is subject to corporation tax at a tax rate of 15.825 per cent (including the solidarity surcharge). If the foundation is engaged in trade or business, it is also subject to trade tax at a tax rate of approximately another 15 per cent on its business income. In addition, a family foundation is liable to a "substitute inheritance tax". This special tax accrues every 30 years. The liquidation of a family foundation can trigger IGT.

Distributions to the beneficiaries may cause an income tax burden and may also trigger IGT for the beneficiaries if they are liable to German tax.

In contrast to German family foundations, foreign family foundations are not liable to the "substitute inheritance tax". However, the income of a foreign family foundation may be added to the personal income of the founder or the beneficiaries

if they are liable to German tax. This does not apply to family foundations that are resident in a Member State of the EU or the EEA if the following is assured:

- the foundation's property is separated legally and actually from the founder and the beneficiaries; and
- a treaty regarding mutual administrative assistance exists between Germany and the state in which the foundation has its residence.

These conditions must be satisfied cumulatively.

Comprehensive changes will be implemented in the law on foundations in the near future. At the end of June 2021, the German Parliament and the Federal Council passed the reform of the law on foundations. The two main objectives of the reform are to bundle the hitherto federally fragmented foundation law in a uniform and conclusive manner in the German Civil Code and to establish a centrally managed foundation register. The new regulations came into force on 1 July 2023 and apply not only to foundations established after 1 July 2023 but to all existing foundations. The public foundation register will be introduced on 1 January 2026.

#### 9.6 How are foundations affected by succession and forced heirship rules in your jurisdiction?

See question 9.3.

### 10 Matrimonial Issues

#### 10.1 Are civil partnerships/same-sex marriages permitted/recognised in your jurisdiction?

Civil partnerships have been recognised in Germany since 1 August 2001. So far, same-sex couples could enter into a civil partnership at the age of 18 by declaration to a registrar if none of them had entered into another existing civil partnership or marriage. Apart from the rules concerning the adoption of children, civil partnerships were governed by the same rules that apply to married couples, in particular with regard to inheritance and tax law. On 20 July 2017, a law was passed allowing same-sex marriage. The law, which entered into force on 1 October 2017, established full equality for same-sex couples. No new civil partnerships can be entered into; civil partners may opt for a conversion to a marriage, and same-sex couples not yet in a civil partnership may enter into marriage. However, the law might be challenged on constitutional grounds. The recognition of same-sex marriages will not have any new tax consequences.

#### 10.2 What matrimonial property regimes are permitted/recognised in your jurisdiction?

In German family law, there are three types of matrimonial property regimes:

- the statutory property regime of community of accrued gains;
- the contractual property regime of separation of assets; and
- the contractual property regime of community of property.

Under German family law, spouses and partners of a civil partnership are subject to the statutory property regime of the community of accrued gains if they have not entered into a marital agreement providing differently. In a community of accrued gains, the assets of each partner remain under his or her individual control during the marriage or civil partnership. Only at the end of the marriage or partnership should the gains of each partner, accrued in his or her estate during

the marriage or civil partnership, be balanced. If the marriage or civil partnership ends by divorce or dissolution respectively, the partner whose accrued gains exceed the gains of the other partner must share the difference between both with his or her former partner. If the marriage or civil partnership ends by death, the equalisation of accrued gains is made by adding an additional quarter of the estate to the intestate share of the surviving partner.

Furthermore, there are the contractual property regimes of separation of assets and community of property in which the partners' assets, in general, are either completely divided or completely collective.

If a marriage or a civil partnership governed by the contractual property regime of separation of assets ends by divorce, no equalisation or other balance of property will be exercised. If it ends by death, the surviving partner's statutory share of the estate depends on the number of children the deceased had. In case of one child, the surviving partner inherits  $\frac{1}{2}$ , in case of two children,  $\frac{1}{3}$ , and where there are more than two children, he or she always inherits  $\frac{1}{4}$ .

#### 10.3 Are pre-/post-marital agreements/marriage contracts permitted/recognised in your jurisdiction?

Pre- and post-marital contracts are generally permitted under German family law. By these contracts, the partners may choose to change their matrimonial property regime or agree on individual rules for post-marital maintenance or pension rights adjustment. In Germany, marriage contracts must be notarised.

#### 10.4 What are the main principles which will apply in your jurisdiction in relation to financial provision on divorce?

German family law recognises three main principles in relation to financial provision on divorce:

- equalisation of the partner's gains accrued during the marriage or civil partnership;
- post-marital maintenance/alimony payments; and
- pension rights adjustment.

For the principle of equalisation of gains, see question 10.2.

After a divorce, each spouse is responsible for his or her own maintenance. However, there are many exceptions to this rule, e.g., if one of the spouses is unable to work due to health issues or because he or she has to take care of a very young child.

In cases of divorce, the law provides for a pension rights adjustment, irrespective of the applicable matrimonial property regime. The pension rights adjustment aims at balancing disparities on the level of pension rights between the spouses that result from a family model where one spouse goes to work while the other one takes care of the children.

The spouses may adjust these principles by marriage contracts within narrow limits set by case-law.

## 11 Immigration Issues

#### 11.1 What restrictions or qualifications does your jurisdiction impose for entry into the country?

In general, EU citizens do not require any settlement title to work or settle in Germany.

For non-EU citizens, Germany distinguishes between different kinds of residence titles for specific purposes, subject to the length of stay and intended business activity. A visa allows

the holder entry and short stays in Germany of up to 90 days for each period of 180 days. In the case of longer stays, a (temporary) residence or (permanent) settlement permit is required. Temporary residence permits are issued for specified purposes (e.g., education or training, gainful employment, humanitarian, political or family reasons). Permanent settlement permits are issued if a foreigner has held a residence permit for five years and meets additional requirements (e.g., secure income, no criminal record, adequate command of the German language, etc.).

#### 11.2 Does your jurisdiction have any investor and/or other special categories for entry?

The relevant residence title depends on the specific area of business activity intended in Germany.

Non-EU citizens managing a company in Germany in a self-employed capacity or taking up gainful employment in Germany require a temporary residence permit. As a rule, a residence permit may be granted to self-employed persons if an economic interest or a regional need exists, the activity is expected to have positive effects on the economy, and financing has been secured. The fulfilment of these requirements is assessed by the local authorities.

Employees from non-EU Member States require a residence permit for the purpose of taking up employment in a company in Germany. As with a residence permit for self-employment, a residence permit is issued to employees for up to three years. Principally, a residence permit is only awarded to certain occupational groups (e.g., academics or IT professionals, see question 11.5) and, additionally, only if it is possible to demonstrate a specific offer of employment. However, persons considered to be "highly qualified foreigners" can be granted a settlement residence from the outset. For EU citizens, see question 11.1.

#### 11.3 What are the requirements in your jurisdiction in order to qualify for nationality?

Foreigners may generally be naturalised after eight years of habitual abode in Germany, provided they meet the relevant conditions. For this, it is necessary to prove an adequate knowledge of the German language, a clean criminal record and a commitment to the tenets of the German Federal Constitution. Moreover, the person to be naturalised must be able to financially support himself or herself. The eight-year period is shortened to seven years if the applicant participates in a certain integration course. The period can be shortened to six years if specific integration achievements are proved.

Spouses and children can also be naturalised even if they have not been living in Germany for eight years. In general, those applying for German citizenship must give up their former nationality (exceptions provided).

In January 2024, the German Parliament passed a new law to modernise German citizenship law, which came into force on 27 June 2024. Under the new law, the naturalisation period for foreigners is reduced to five years and can be shortened to up to three years for those who can demonstrate a particularly high level of integration into German society. Moreover, foreigners who apply for German citizenship no longer have to give up their former citizenship.

#### 11.4 Are there any taxation implications in obtaining nationality in your jurisdiction?

Generally, tax liability in Germany is determined by the

concept of residence, not by the concept of nationality (see question 1.1). However, only a German national is subject to extended tax liabilities after giving up his or her German tax residence. He or she remains subject to German inheritance tax for five years after relocation (or 10 years in certain cases of relocation to the USA). If a German national relocates to a tax haven, he or she may, under certain conditions, remain subject to German income tax with all income from German sources (including interest) for 10 years after relocation, and his or her assets located in Germany may be subject to German inheritance tax to a wider extent.

**11.5 Are there any special tax/immigration/citizenship programmes designed to attract foreigners to become resident in your jurisdiction?**

The “EU Blue Card” is a residence title for specific purposes that was introduced in Germany in 2012. The Blue Card is aimed at university graduates or other highly qualified foreigners. It grants the right to work and live in Germany. Such highly qualified foreigners are generally also entitled to bring their families to Germany.

## 12 Reporting Requirements/Privacy

**12.1 What automatic exchange of information agreements has your jurisdiction entered into with other countries?**

Germany has entered into a multiplicity of agreements concerning the automatic exchange of information. Particularly concerning questions of taxation, an automatic exchange of information is exercised, e.g., on the basis of double-tax treaties, the EU-Council Directive on Administrative Cooperation in the Field of Taxation from 2011, the EU-Council Directive on Taxation of Savings Income in the Form of Interest Payments from 2003 or the bilateral international agreement concerning the US Foreign Account Tax Compliance Act (“FATCA”) from 2013.

Moreover, Germany takes part in the Common Reporting Standards by the OECD’s Global Forum of Transparency and Exchange of Information from 2014, which include the Automatic Exchange of Information (“AEOI”) for tax purposes. This agreement is accepted by more than 60 countries and enables the respective financial authorities to obligate foreign credit institutions to provide certain financial information automatically at certain dates (e.g., names and accounts of individuals as well as paid interest or dividends). Germany has exchanged information with other signatory states since September 2017, with retroactive effect for the 2016 tax year.

With Council Directive (EU) 2021/514 (“DAC 7”) of 22 March 2021, the EU aims to close more supposed tax loopholes. DAC 7 requires digital platform operators, under certain conditions, to disclose to European tax authorities information about transactions of their registered sellers. The first reporting deadline is 31 January 2024 for the calendar year 2023 reporting period.

Recent developments in the area of automated information exchange also include the Crypto-Asset Reporting Framework (“CARF”). The aim of CARF is the automatic exchange of information on relevant transactions of so-called “crypto assets”. CARF is found in large part in the current draft of Amendment of Directive on Administrative Co-operation (“DAC 8”). In addition to the crypto rules, most of which originated in CARF, the current DAC 8 draft also contains new regulations and expansions of registration and reporting requirements concerning cross-border matters relating to high-net-worth individuals.

**12.2 What reporting requirements are imposed by domestic law in your jurisdiction in respect of structures outside your jurisdiction with which a person in your jurisdiction is involved?**

For taxation purposes, persons having their residence or habitual abode in Germany, as well as any corporation with their effective place of management or statutory seat in Germany, are required to submit certain information to the competent financial authorities with regard to the following circumstances:

- the establishment or the acquisition of a foreign business or permanent establishment;
- the participation in or the retirement from a foreign partnership or the change of their interest;
- the acquisition of a participation in a corporation, association of individuals or legal estate if the person subject to unlimited taxation reaches a share or interest in the foreign structure of at least 10 per cent, or if the acquisition costs of a person’s total acquisitions of foreign shares or interests exceed the amount of EUR 150,000;
- the fact that they, alone or together with related parties, within the meaning of Section 1(2) of the Foreign Tax Act can, for the first time, directly or indirectly exercise a controlling or determining influence over the corporate, financial or business affairs of a third-country company; and
- the nature of the commercial activity of the establishment, permanent establishment, partnership, corporation, association of persons, legal estate or third-country company.

Under the Money Laundering Directive Implementation Act the obligation for foreign trustees may arise to report the beneficial owners to the transparency register if they enter into a business relationship with an obliged person resident in Germany on behalf of a foreign trust.

**12.3 Are there any public registers of owners/beneficial owners/trustees/board members of, or of other persons with significant control or influence over companies, foundations or trusts established or resident in your jurisdiction?**

Shareholders in corporations and partners of partnerships that are established in Germany generally must be registered in the (public) register of companies (“*Handelsregister*”). The same applies to the board members of corporations. The new transparency register is not accessible to the general public (see question 2.7). However, businesses and individuals will be allowed access to the extent necessary to comply with their “know your customer” (“KYC”) obligations or if they can show another legitimate interest.

Due to the reform of the foundation law, a new public foundation register will be introduced on 1 January 2026. In this register, the deed of foundation, the statutes, evidence of the foundation’s assets and personal documents of the executive body members will be published.

Since German law does not recognise trusts (see question 9.1), there is no obligation to register trusts or any persons related to them. However, trust structures can constitute significant income tax and IGT liability in Germany (also under the Foreign Tax Act, see question 2.5), so a settlor or beneficiary who is a resident in Germany can be obliged to disclose the trust structure to the tax authorities for taxation purposes. For foreign trusts, reporting obligations may arise under the Money Laundering Directive Implementation Act (see question 12.2).

**12.4 Are there any public registers of beneficial owners of, or of other persons with significant control or influence over, real estate located in your jurisdiction?**

The Land Register (“*Grundbuch*”) provides information on civil law legal relationships concerning real estate, such as ownership data and third-party rights *in rem*. The land register may be accessed only by persons who can show a legitimate interest in consulting it. The relevant land registry office is the one in the region where the property lies.

One of the key components of the Money Laundering Directive Implementation Act, which came into force in 2017, is the transparency register (“*Transparenzregister*”), which provides for information on the ownership structures of companies, foundations and similar arrangements, as well as corresponding notification obligations on the part of the parties concerned. Beneficial owners who directly or indirectly acquire real estate in Germany have been required to submit information on beneficial ownership to the German transparency register since 2020.

**13 Future Developments****13.1 How do you see the climate for foreigners wanting to come and live in your jurisdiction developing over the next few years?**

Over the past years, Germany has struggled with the fact that it has become increasingly less attractive for relocating residents. This is, amongst other aspects, due to the inheritance tax burden and the high level of bureaucracy. In addition, reporting and transparency obligations as well as the risk of personal allocation of income from foreign corporations to German residents and the risk of an exit tax in the event of long-term residence have a deterrent effect on wealthy individuals from becoming resident in Germany. The long-term goal of German policy is to reduce bureaucracy and strengthen Germany as a centre of business and innovation. The new federal government, in office since May 2025, has made this goal one of its top priorities. It remains to be seen whether these goals can be achieved and whether Germany's attractiveness for potential new residents can be increased.



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