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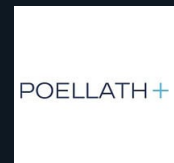
Country Comparative Guides 2026

Germany

Private Client

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This country-specific Q&A provides an overview of private client laws and regulations applicable in Germany.

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Germany: Private Client

1. Which factors bring an individual within the scope of tax on income and capital gains?

Unlimited tax liability in Germany is determined by the concept of residence. An individual is a German resident for tax purposes if he or she has either a permanent home or a habitual abode in Germany. 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. An individual's habitual abode is at the place where he or she stays under circumstances which 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. The worldwide income and assets of individuals whose tax residence is located in Germany are subject to income tax. German tax law considers capital gain to be a source of income. Thus, the same applies to capital gains.

The limited tax liability and the extended limited tax liability are also worth keeping in mind. The limited tax liability is regulated in the German Income Tax Act and stipulates a tax liability for income from German sources. If a person with German citizenship, who has been subject to unlimited tax liability for at least five years in the last ten years moves to a low-taxed country and continues to have significant economic interests in Germany, he or she is subject to the so-called extended limited tax liability for further ten years. The extended limited tax liability is regulated in the Foreign Tax Act.

2. What are the taxes and rates of tax to which an individual is subject in respect of income and capital gains and, in relation to those taxes, when does the tax year start and end, and when must tax returns be submitted and tax paid?

Income tax covers income from seven sources:

- 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).

German tax law regulates a variety of situations, where there is a deemed disposal at market value, e.g. withdrawals of business assets or under certain circumstances expatriation (exit taxation), which will be described under question 15.

The tax rate ranges from 14% to 45% progressively with the exception of income from capital and capital gains. A solidarity surcharge of 5.5% of the tax due was also levied until January 2021. This surcharge was intended to finance the German reunification of 1990. Effective 1 January 2021, the exemption limits were raised to such an extent that only high-income earners now pay the solidarity surcharge as well as investors who have exhausted their savings allowance. Corporate tax subjects are not benefitting from this tax relief and the solidarity surcharge still applies to capital gains tax. The solidarity surcharge has recently been challenged for its constitutionality; however, the German Federal Constitutional Court ruled it to be constitutional in March 2025.

If the tax payer is a member of a church that levies taxes in Germany, also church tax has to be kept in mind.

Unless in case of a withholding tax, taxpayers must make advance payments on the 10 March, 10 June, 10 September and 10 December.

Individuals with certain business activities may also be considered entrepreneurs within the meaning of the VAT Act. If so, they generally have to submit advance VAT returns on a usually quarterly basis.

The tax year is the calendar year. Tax returns must be submitted by 31 July of the following year. However, if the taxpayer is represented by a tax advisor, the deadline is generally prolonged until 28 February of the year after that. Whether a late-filing surcharge is imposed is initially at the discretion of the tax authority. However, it becomes mandatory 14 months after the end of the tax year. For the tax year 2025, this would be on 2 March 2027.

3. Does your jurisdiction provide advantageous

tax regimes for individuals directly investing in or holding certain types of assets from an income tax or capital gains tax perspective?

In general, Germany does not provide advantageous tax regimes for individuals from an income tax or capital gains tax perspective in comparison to other countries. Tax advantages in Germany mainly arise from standard features within the overall tax framework rather than from special regimes for new residents or investors. These include mechanisms such as income-splitting for spouses, options for reduced taxation on retained business profits, and accelerated depreciation methods like declining-balance depreciation, which allow higher deductions in the early years of an asset's useful life. Foreign taxes may also be credited under certain conditions to avoid double taxation. For capital gains income, Germany applies a flat withholding tax, but taxpayers can request a "favorable assessment" so that capital gains are taxed at the individual income tax rate if this is more advantageous. Losses from capital investments can be offset against gains within the same category, and unused losses may be carried forward to future years.

4. Are withholding taxes relevant to individuals and, if so, how, in what circumstances and at what rates do they apply?

Income from employment and capital is subject to a withholding tax. Whereas income from employment is taxed at the regular progressive rate, income from capital is taxed at a flat rate of 25% plus solidarity surcharge. If the taxpayer is a member of a church that levies taxes in Germany also church tax has to be kept in mind. Typically, salaries and wages as well as the distribution of corporate gains (dividends) trigger withholding tax.

5. How does the jurisdiction approach the elimination of double taxation for individuals who would otherwise be taxed in the jurisdiction and in another jurisdiction?

Germany has signed so-called double taxation treaties with 96 countries as bilateral measures to avoid double taxation for income tax purposes. In addition, double taxation treaties exist with Switzerland, Greece, Sweden, the USA, Denmark and France concerning inheritance and/or gift taxes. Subordinately Germany has taken unilateral measures to credit foreign taxes.

The German parliament passed the BEPS Multilateral

Instrument (MLI) Application Act on 16 May 2024, which came into force in June 2024 and enables the application of the BEPS MLI. The BEPS MLI Application Act initially applies to double taxation treaties with 9 countries.

6. Is there a wealth tax and, if so, which factors bring an individual within the scope of that tax, at what rate or rates is it charged, and when must tax returns be submitted and tax paid?

In 1995, the Federal Constitutional Court declared the wealth tax unconstitutional and repealed it at the beginning of 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 programs for the 2025 federal election. Though due to the current composition of the parliament, the re-introduction of the wealth tax is highly unlikely as of now.

7. Is tax charged on death or on gifts by individuals and, if so, which factors cause the tax to apply, when must a tax return be submitted, and at what rate, by whom and when must the tax be paid?

Transfers by death or gifts are subject to the German inheritance and gift tax (IGT). The tax rates range from 7% to 50%, depending on the relationship between the transferor and the transferee, and the value of the share of the estate received. Spouses and descendants pay IGT at a rate of 7% to 30%.

Transfers between most other relatives are taxed at a rate of 15% to 43%. Between unrelated persons, the applicable tax rate is 30% or 50% (for more than € 6 million).

The following tax-free allowances apply if either the transferor or the transferee is a resident in Germany:

- spouses receive a personal allowance of € 500,000 and
- children receive a personal allowance of € 400,000 and
- grandchildren receive a personal allowance of € 200,000.

IGT applies if either the transferor or the transferee is a resident in Germany. It must be declared and paid upon request by the fiscal authorities. However, the transferee is required to inform the authorities about the transfer within three months. Each transferee is liable for IGT on

the value of the assets transferred, regardless of his or her personal wealth. In case of a gift, the transferor must inform the authorities and is liable for IGT as well, even though the transferee is to be charged primarily.

In addition to the unlimited IGT liability described above, the limited IGT liability has to be taken into account. It applies if assets located in or assets strongly connected to Germany are transferred.

8. Are tax reliefs available on gifts (either during the donor's lifetime or on death) to a spouse, civil partner, or to any other relation, or of particular kinds of assets (eg business or agricultural assets), and how do any such reliefs apply?

There is no inheritance and gift tax (IGT) on a lifetime transfer of the family home to a spouse and on an equalisation of the gains accrued during the course of a marriage, where the statutory matrimonial property regime of the community of surplus (as provided for by the German matrimonial regime or a similar foreign regime) applies.

Additionally, IGT relief applies when transferring business assets. The transferee can generally choose between the basic relief and the optional relief model. According to the basic relief, up to 85% of the business assets do not form part of the tax base. If the taxpayer chooses the optional relief, up to 100% of the business assets are not considered part of the tax base. The amount of relief depends on the value of the transferred business assets. The relief is, however, conditional upon the continuing operation of the business for five or seven years (depending on whether basic or optional relief apply) and the preservation of jobs. Regarding the preservation of jobs, depending on the relief model chosen and the number of employees, after the retention period, the total payroll has to amount to at least 250% to 700% of the payroll before the transfer. Passive non-operating assets are exempt from the IGT relief. This includes for instance leased real estate, minority shareholdings of 25% or less, securities, certain movables like artworks, antique cars and yachts, and liquid funds if they exceed, after deduction of debt, 15% of the total value of the business assets. These passive non-operating assets are fully taxable at the regular rate, so far as their value exceeds 10% of the total business assets.

9. Do the tax laws encourage gifts (either during the donor's lifetime or on death) to a charity,

public foundation or similar entity, and how do the relevant tax rules apply?

Donations to charitable foundations or other charitable organisations can be deducted from income respectively corporate and trade tax if certain requirements are met.

Deductibility for donations is limited to 20% of the total annual income or 4 per thousand of the total turnovers and for wages and salaries spent in the business year.

10. How is real property situated in the jurisdiction taxed, in particular where it is owned by an individual who has no connection with the jurisdiction other than ownership of property there?

A real estate transfer tax with differing regional rates ranging from 3.5% to 6.5% applies to:

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

Since the base for real estate transfer tax is the purchase price, no official valuation is necessary. Subject to the tax claim is, whoever is participating in the transfer.

The real estate transfer tax was reformed with effect from 1 July 2021. Significant changes include the lowering of the tax-relevant participation threshold for the transfer of shares to 90% (previously 95%) and the extension of the minimum holding period from 5 to 10 years, which applies to the transfer of shares as well as property.

In addition, an annual real property tax may be due on the value of real property (based on an assessed uniform value that is often less than the fair value of the property) at the discretion of the relevant local authority. The assessed uniform value used to be quite low, but property tax is becoming more and more significant because of the continuously rising rates of assessment. Furthermore, the German Federal Constitutional Court held that property values that were last assessed in 1964 or 1935 are inconsistent with the constitutional principle of equality of taxation. In June 2019, the German parliament passed an amendment to change how the assessment of property values is conducted by local authorities from 1 January 2022 onwards. Due to the new tax law, more than 30 million properties had to be reassessed. From the 1 January 2025 the new annual real property tax is due on the new assessed value of real property. The federal tax law allows the federal states (Bundesländer) to depart

from the federal assessment method, which some states have made use of. The federal assessment method was currently challenged for its constitutionality before the Federal Fiscal Court. On December 10 2025, it was ruled to be constitutional.

Ownership of the residential property is likely to establish tax liability, regardless of the owner's residence.

11. Does your jurisdiction have any specific rules in relation to the taxation of digital assets?

Currently, there are no specific tax rules addressing digital assets, so digital assets are taxed according to the existing general tax law rules. In May 2022, the German Federal Ministry of Finance published a decree regarding the treatment of virtual currencies and tokens under income tax law, which was superseded by its updated version on 6 March 2025. During the second half of 2023 some federal states issued information requests to persons other than the participants like crypto exchanges to gather yet unknown facts about tax payers trading with crypto currencies and other digital assets.

12. Are taxes other than those described above imposed on individuals and, if so, how do they apply?

VAT applies to the net turnover of the entrepreneur at a tax rate of 19% or 7% (for certain tax-privileged turnover, e.g. food).

Any business operating through a permanent establishment in Germany, with the exception of independent personal services, is liable to trade tax. 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.

Church tax is also levied on church members as a supplement to income tax. The tax rate varies between 8% and 9% depending on the federal state.

13. Does your jurisdiction provide advantageous special tax regimes for individuals from a wealth tax, inheritance/estate tax or gift tax perspective?

Germany has no wealth tax. It abolished its wealth tax in 1997. In connection with inheritance/estate tax or gift tax, exemptions may arise in connection high allowances for close relatives and strategic gifting over time. Also,

Business assets, agricultural and forestry assets, and certain shares in corporations can, under strict conditions, be transferred tax-free up to significant percentages. Further exemptions apply to transfers made for charitable, religious, or benevolent purposes. Other than that, Germany does not offer special advantageous regimes like "non-dom" status for wealth transfers.

14. What steps might an individual be advised to consider before establishing residence in (or becoming otherwise connected for tax purposes with) the jurisdiction?

In order to avoid inheritance and gift tax, any gifts should be made before any of the individuals involved establish residency in Germany.

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 relocation.

A (foreign) corporation may be subject to German corporate tax if the company has a fixed place of business or place of management in Germany. Working for a foreign business whilst residing in Germany may result in adverse tax consequences for the company. If the individual moving to Germany holds a position of a director of a (holding) company, there is a risk that the company itself acquires German residency for corporate income tax purposes due to establishment of a place of management in Germany.

Settlors and beneficiaries of trusts or foundations may be subject to adverse tax rules in Germany. Additional tax filing obligations may be applicable. Furthermore, the income of the trust or foundation might be attributed to German beneficiaries or remaindermen, regardless of whether or not actual distributions are made. Individuals who move to Germany should review existing trust or foundation agreements prior to moving.

15. Once an individual has left (and is no longer connected for tax purposes with) the jurisdiction, does the jurisdiction charge any form of exit tax or retain taxing rights over the individual's directly held assets or structures which they created or have an interest in?

The most important tax rules when leaving Germany are

regulated within the Foreign Tax Act.

General German exit taxation (Section 6 Foreign Tax Act) applies, when a natural person was German tax resident for at least 7 years within the last 12 years and shareholder of a corporation with at least 1% within the last 5 years. When the natural person leaves Germany while fulfilling the named criteria, the shares are deemed to be disposed at fair market value (dry income taxation).

16. What are the main rules of succession, and what are the scope and effect of any rules of forced heirship? Do any forced heirship rules apply automatically, or is it necessary for heirs to bring claims to enforce their rights?

German law grants testamental freedom. The testator is therefore free to choose his heirs and how his estate shall be distributed. He or she is, however, not obliged to make a Will. In that case, the legal rule of succession is as follows:

(each of the following categories precludes the subsequent heirs from receiving a share of the deceased's estate):

- children of the deceased and, subordinated, their descendants;
- parents of the deceased and, subordinated, their descendants;
- grandparents of the deceased and, subordinated, their descendants; and
- great-grandparents of the deceased and, subordinated, their descendants.

Relatives within a particular category inherit in equal shares (succession per stirpes).

There is a forced heirship regime. Descendants, spouses, civil partners and parents are entitled to make a monetary claim for a compulsory share of the deceased's estate if they are excluded from the testator's will or if the share granted to them is less than their compulsory share. They do not obtain their share automatically. A relative's compulsory share generally amounts to 50% of the value of that relative's share on intestacy.

17. Is there a special regime for matrimonial property or the property of a civil partnership, and how does that regime affect succession?

Three matrimonial regimes are possible:

- Under the community of accrued gains, the spouses' property does not become common property. However, accrued gains, that spouses acquire during the marriage are equalised if the marriage ends. The community of accrued gains regime applies, when there is no marriage contract in effect. This regime affects succession in that the surviving spouses share is increased by a quarter of the estate.
- The spouses can by contract agree on a separation of assets. 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 more than two children he or she always inherits $\frac{1}{4}$. If there are no children, the surviving spouse will receive the legal share.
- In case of a joint property regime, which can also be agreed upon by contract, the deceased's spouses share in the common property remains part of the estate. Thus, general provisions apply.

18. What factors cause the succession law of the jurisdiction to apply on the death of an individual?

For general information see question 16.

As of 17 August 2015, the conflict of laws rules of the EU Succession Regulation apply. 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 is relevant for the question of which succession law is applicable, instead of his or her nationality.

19. How does the jurisdiction deal with conflict between its succession laws and those of another jurisdiction with which the deceased was connected or in which the deceased owned property?

According to the EU Succession Regulation, if it is obvious that the deceased had a closer relationship to another state, that state's law will apply 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. In addition, provisions on legal jurisdiction, recognition and

enforcement of decisions and authentic instruments and on the European certificate of succession are part of the Regulation. As a general rule, the legal jurisdiction shall be determined by the habitual residence at the time the individual dies. The EU Succession Regulation is not applicable to trusts, hence the respective national conflict of law regime applies.

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.

20. In what circumstances should an individual make a Will, what are the consequences of dying without having made a Will, and what are the formal requirements for making a Will?

There are two valid forms of wills: the holographic and the public will. The holographic will has to be handwritten, dated and signed by the testator. The public will has to be signed before and certified by a notary public. Neither form of will requires a witness. Should there be no Will or should a Will not meet the formal requirements, the statutory rule of inheritance applies. An individual should make a Will, if he or she in any way does not wish to have the statutory rules of inheritance to be applied to his or her estate.

If an individual has no residency in Germany but owns residential property, he or she generally does not fall under German inheritance law, so the formal requirements for making a Will can differ.

21. How is the estate of a deceased individual administered and who is responsible for collecting in assets, paying debts, and distributing to beneficiaries?

The deceased's estate is generally administered by the heirs. A testator can appoint an executor, who shall be responsible for executing the testator's testamentary dispositions. In case of such appointment, the executor has the power of disposal and the duty to effect a partitioning of the estate among the heirs.

22. Do the laws of your jurisdiction allow individuals to create trusts, private foundations, family companies, family partnerships or similar structures to hold, administer and regulate

succession to private family wealth and, if so, which structures are most commonly or advantageously used?

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. Structures commonly used in Germany to hold assets are corporations, partnerships and foundations.

23. How are these structures constituted and what are the main rules that govern them?

Corporations provide limited liability, as shareholders are not liable for the corporation's debts. They can be founded for any purpose permitted by law and can therefore be used for business and charitable (if the corporation meets certain criteria – see question 31) purposes.

There are various ways in which a partnership can be set up. The governance of partnerships is very flexible and is often used as a vehicle for family's assets.

Foundations (family foundations or charitable foundations) are legal entities, which are not based on an association of people, created to fulfil a specified purpose by means of assets permanently dedicated to that purpose. They have no shareholders, but endowment property. The foundation is managed by its board, who is for the first time appointed by the founder.

24. What are the registration requirements for these structures and what information needs to be made available to the relevant authorities? To what extent is that information publicly available?

A corporation must be registered with the German trade register, which generally provides a list of the shareholders with personal information. The register also contains information about the share capital and the managing directors. Corporations are required to report their ultimate beneficial owners to the transparency register.

Most kinds of partnerships need to be registered with the trade register as well. Further, in certain scenarios partners must also be listed as ultimate beneficial owners in the transparency register.

Besides type and scope of the relevant economic interest the transparency register must show the name, date of

birth, nationality and place of residence of the ultimate beneficial owner. Previously, the transparency register only contained entries if there were no entries available in other registers, such as the trade register. Now, all companies must positively report their beneficial owners to the transparency register regardless of whether the company is already subject to reporting obligations under other public registers. Since the implementation of the 5th EU Money Laundering Directive there was an extended public access to the transparency register without the need for a legitimate interest. In 2022, the ECJ ruled this access to be incompatible with Charter of Fundamental Rights of the European Union. Consequently, the requirement of demonstrating legitimate interest has been reinstated. Generally, the inspection is limited to certain data while public authorities and, in some cases, credit institutions and others have a full right of inspection. Registration with the transparency register along with their beneficial owners is compulsory, if the foundation's registered office is in Germany.

A private foundation can be voluntarily listed in the index of German foundations and is listed in the register of the associated federal state (so-called 'Stiftungsverzeichnis'). According to the reform of the German law of foundations which came into force on 1 of July 2023, a national register of foundations visible to the public was supposed to be installed in 2026 (so-called 'Stiftungsregister') and would have made it mandatory for foundations to register by the end of 2026. However, its launch has been postponed to 2028 on 11 December 2025.

25. How are such structures and their settlors, founders, trustees, directors and beneficiaries treated for tax purposes?

A corporation is subject to German corporate tax, which amounts to 15% plus solidarity surcharge. In addition, a trade tax is levied. A foreign corporation with income from German sources might be subject to German corporate tax. If a foreign corporation has a branch in Germany that constitutes a permanent establishment, the corporation will be subject to German corporate tax and trade tax on all income effectively connected to this permanent establishment. Distributions to shareholders are subject to income tax.

Partnerships are fiscally transparent in Germany for income tax purposes. The partners are subject to income tax at their individual tax rates plus the solidarity surcharge, whereby the new regulation of the solidarity surcharge with an increase in the exemption limits also

leads to partial or even complete relief here. If the partnership is engaged in trade or business, the partnership itself is subject to trade tax. Trade tax levied from the partnership is (to a large extent) credited against the income tax of the partners if they are individuals. As a partnership you can also opt for an (opaque) corporate taxation since 2021.

Charitable foundations are tax privileged. The formation of a charitable foundation neither triggers any inheritance or gift tax, nor 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. In contrast, a family foundation is not tax-privileged. Taxation of a family foundation generally complies with the taxation of corporations, however, a family foundation can receive income not only from trade or business but any type of income. Distributions to beneficiaries are subject to income tax.

26. Are foreign trusts, private foundations, etc recognised?

Private foundations are recognised (see question 23).

As mentioned above, trusts are not recognised under German civil law. They may be recognised under German taxation law. Decisive for this recognition and consequently the taxation of a foreign trust is, whether the trust is to be categorised as transparent or opaque for tax purposes. If the trust is transparent, trust property is attributed to either the settlor or the beneficiaries (depending on the specific circumstances). Opaque trusts, on the other hand, are treated similar to foreign foundations. The property of an opaque trust is attributed to the trust itself, which for tax purposes is then treated as an independent entity.

27. How are such foreign structures and their settlors, founders, trustees, directors and beneficiaries treated for tax purposes?

Even though trusts are generally not recognized, they can, however, trigger inheritance and gift tax in several ways. The establishment of a trust by residents or of a trust comprising assets located in Germany is considered to be a transfer of assets that is taxable in accordance with the Inheritance and Gift Tax Act. Distributions to beneficiaries during the trust period or on the trust's dissolution may trigger income tax, if the beneficiary is a German resident or if German situs assets are distributed. Corporate tax can be triggered if income is

received by a foreign trust from German sources. The worldwide income of a foreign trust may be subject to corporate tax if the trust's management is in Germany and if certain other conditions are met; for example, if the effective management of a trust is vested with a trustee resident in Germany. Undistributed income received by a foreign trust can be attributed to the settlor or the beneficiaries if they are German residents. In this case, it can be subject to the settlor's or the beneficiary's personal income tax.

Recent decisions by the German Federal Fiscal Court on matters of inheritance and gift tax with regard to foreign trusts resolved some previous ambiguities about the gift tax treatment of trusts in Germany. The Court has clarified and confirmed criteria under which a trust qualifies as opaque or transparent for inheritance and gift tax purpose. 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.

In certain cases, distributions by a trust to its domestic beneficiaries may even be subject to double taxation with gift and income tax.

28. To what extent can trusts, private foundations, etc be used to shelter assets from the creditors of a settlor or beneficiary of the structure?

Where assets governed by foreign property law have been transferred to an irrevocable trust effectively formed under foreign trust law, the trust can shelter these assets from the settlor's or beneficiary's creditors.

Since private foundations are recognised, they generally are an appropriate means to shelter assets from creditors.

29. What provision can be made to hold and manage assets for minor children and grandchildren?

Minors can hold assets directly. In order to legally obtain an asset by contract from a parent or grandparent, a family court must typically appoint a legal guardian. Thereafter, it is generally the parents' duty to administer the asset.

Testators typically provide for executorship with regard to assets that are inherited by minors. For lifetime gifts, family companies (partnerships or corporations) and

private foundations can be used to control the minors' rights with regard to the assets, e.g. through golden shares for the donor.

30. Are individuals advised to create documents or take other steps in view of their possible mental incapacity and, if so, what are the main features of the advisable arrangements?

When a person loses mental capacity, generally a guardian has to be appointed to represent that person in all legal matters, under supervision by a court. This can usually be avoided by providing a valid power of attorney which empowers a person to full legal representation. The following documents are generally advisable: healthcare proxy, patient decree, generally power of attorney (including real property).

31. What forms of charitable trust, charitable company, or philanthropic foundation are commonly established by individuals, and how is this done?

There are three main forms of charitable organisations:

- Registered associations;
- Charitable foundations; and
- Charitable limited liability companies ("gGmbH").

Charitable organisations in Germany are fully tax privileged. Their recognition requires that the organisation's activities are dedicated to the altruistic advancement of the general public in material, spiritual or moral aspects. Their purposes must be pursued altruistically, exclusively and directly.

32. What is the jurisdiction's approach to information sharing with other jurisdictions?

New information sharing systems are continuously being developed and implemented, especially in the financial area. These information sharing systems are usually based on bilateral or multilateral treaties. Bilateral legal bases arise primarily from double taxation treaties and Tax Information Exchange Agreements. Another well-known example is the FATCA-Agreement, which is based on the Foreign Account Tax Compliance Act, an US-American tax law. Multilateral legal bases also form a pillar in the complex information sharing systems, for example the EU Mutual Assistance Directive with its latest implementations of Council Directive (EU)

2018/822 ("DAC 6") in 2020 and Council Directive (EU) 2021/514 ("DAC 7") in 2023 in Germany. 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.

33. What important legislative changes do you anticipate so far as they affect your advice to private clients?

An upcoming ruling by the Federal Constitutional Court on inheritance tax could require the legislature to reform German inheritance tax law. The Court will rule on a potential violation of the principle of equality arising from the excessive preferential treatment of business assets compared with private assets due to the IGT relief. The decision is expected in early 2026 and comes amid an ongoing debate on the reform of inheritance tax for substantial estates. It is difficult to predict both the content of the judgment and the legislature's response. A

far-reaching restriction or even the abolition of inheritance tax relief for business assets remains a possibility. If the law is found to be unconstitutional, the Court is likely to grant the legislature a transition period of approximately one to two years to amend the legal framework and to order the continued application of the existing law during this period. While this may suggest a smooth transition, experience from a comparable situation in 2014 showed significant uncertainty as to whether taxpayers could rely on the continued application of the law or whether the legislature might enact retroactive amendments, as hinted by the Court at the time. Much will therefore depend on the precise wording of the forthcoming judgment.

Other than that, the CDU/SPD government's coalition agreement outlines several tax reforms that could significantly impact private clients. In addition, the coalition agreement has set the reduction of bureaucratic burdens as a key policy objective. As part of these reforms, the Act on a Tax Investment Immediate Programme to strengthen Germany as a business location entered into force 19 July 2025. The programme provides, among other measures, for the reintroduction and increase of declining-balance depreciation for movable fixed assets with respect to investments made between 1 July 2025 and 31 December 2027. Furthermore, the corporate income tax rate will be gradually reduced from 1 January 2028 onwards, dropping to 10 percent in 2032, and the tax rate on retained earnings will also be lowered step by step.

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