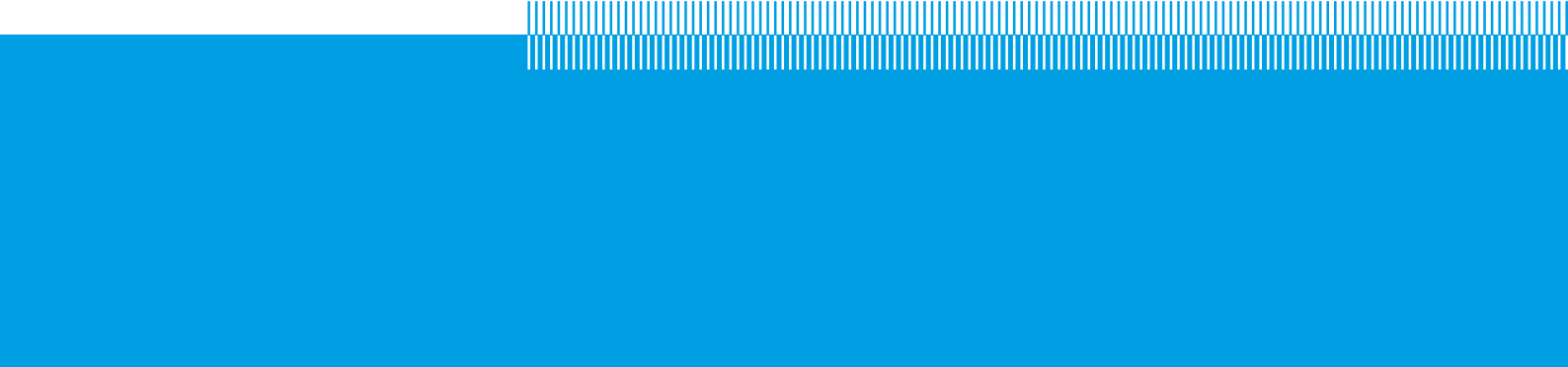




Investment Guide to North Rhine-Westphalia.

Your Investment Location in Europe.



North Rhine-Westphalia (NRW) Key Figures

Demographics

- Population: 17.5 million inhabitants, 514 inhabitants per sq. km
- Religion: Catholic (49%), Protestant (35%), Muslim (3.4%), Other (12.6%)

Government

- Form of Government: State Parliament, multi-party system
- Head of State: Prime Minister Hannelore Kraft
- State Capital: Duesseldorf
- Language: German
- National Holiday: October 3rd (German Unification Day)
- Currency: 1 Euro (EUR)

Economy

- GDP: EUR 582.1 billion (2012)
- GDP per capita: 32,631 EUR (2012)
- Exports: EUR 181.9 billion (2012)
- Imports: EUR 203.9 billion (2012)

Geography

- Area: 34,110 sq. km
- Four UNESCO World Heritage Sites
- Important Rivers: Rhine, Maas, Weser, Ems, Ruhr
- Biggest Cities: Cologne, Duesseldorf, Dortmund, Essen and Duisburg
- Most important metropolitan areas: Ruhr region, Rhineland

Infrastructure

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

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A golden globe with a map of North Rhine-Westphalia cut out, set against a blue background. The globe is illuminated from the side, creating a bright glow on the right side. The map is cut out in a way that shows the internal structure of the globe, including the grid lines. The word "Preface" is written in a white box over the globe.

Preface

An Attractive Location in Europe

Foreign investors continue to be attracted to Europe, and not without reason: With a gross domestic product of almost 12,968 billion euros, Europe (EU 28) accounts for approximately 20 percent of global gross domestic product and is the world's most important economy. By comparison, the USA follows in second place with less than 12,208 billion euros.

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



At 27.1 percent (200.6 billion euros) North Rhine-Westphalia has by far the highest share of direct investments in Germany of all 16 German federal states. Approximately 14,000 foreign companies from the leading economic nations control their German and/or European activities from North Rhine-Westphalia. These include international global players such as 3M, BP, Ericsson, Ford, LG Electronics, QVC, Renault, Sany, Toyota, and Vodafone. Foreign firms employ over 750,000 people.

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

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

NRW.INVEST GmbH

**Economic Development Agency
of the German State of North Rhine-Westphalia (NRW)**

A handwritten signature in black ink that reads "Petra Wassner". The script is cursive and fluid.

Petra Wassner



North Rhine-Westphalia – Your Investment Location in Europe

The German state of North Rhine-Westphalia (NRW) was created in 1946 from the former provinces of Rhineland and Westphalia. Located in the west of Germany, North Rhine-Westphalia borders onto Belgium and the Netherlands. With 17.5 million inhabitants the state on the Rhine and Ruhr rivers is the most populous and most densely populated in Germany. More than a fifth of the entire population of Germany lives here in the west of the federal republic. The largest cities in the state are Cologne, Düsseldorf, Dortmund and Essen.

22.0 percent of the German gross domestic product and hence around 582.1 billion euros are generated in North Rhine-Westphalia. In the international ranking North Rhine-Westphalia as a federal state is placed higher than Switzerland, Saudi Arabia and Sweden.

No. 1 Investment Location in Germany

In a comparison of the economic locations of northern Europe, North Rhine-Westphalia competes with metropolitan regions such as Ile de France, Greater London or Randstad in the Netherlands. In a direct comparison, Germany's most westerly state is doing increasingly well with regard to key indicators. Labor costs, for example, have become more competitive in nearly all sectors of the economy. Office rents and commercial site prices are considerably lower than in other European metropolitan regions. And also in terms of effective company taxation, North Rhine-Westphalia – with a corporate tax rate of only 29.8 percent.

At 27.1 percent (200.6 billion euros), the state has by the highest share of direct investments of all 16 German federal states. Approximately 14,000 foreign companies from the leading economic nations control their German or European activities from North Rhine-Westphalia. These include international global players such as 3M, BP, Ericsson, Ford, LG Electronics, QVC, Sany, Renault, Toyota and Vodafone. The foreign firms employ over 750,000 people. Their business activities range from pure production to sophisticated services. More than half of the companies have settled in North Rhine-Westphalia since the beginning of the nineties. Around two thirds of the firms concern themselves mainly with sales and services. About one fifth of the companies opened their European headquarters at a location in the Rhine and Ruhr region. For all investors, the decisive arguments in favor of the location were in particular its central position, its proximity to the sales markets and its good transport infrastructure.

North Rhine-Westphalia – Gateway to Europe

North Rhine-Westphalia lies at the heart of Europe. It is one of the most important hubs for European and international transport. The state has a closely knit route network and a state-of-the-art transport infrastructure. Major routes between western and eastern Europe as well as between northern and southern Europe pass through North Rhine-Westphalia.

AIRPORTS

North Rhine-Westphalia has two major international airports - Düsseldorf Airport and Cologne Bonn Airport - as well as additional airports with European connections in Dortmund, Münster/Osnabrück, Paderborn/Lippstadt and Weeze/Lower Rhine connect the state to all major German domestic destinations as well as to cities and holiday regions all over the world.

More than 20 million passengers per year, Düsseldorf is the third-largest German commercial airport following Frankfurt a.M. and Munich. In the low-cost segment, CologneBonn Airport is the market leader in continental Europe, and Germany's no. three air cargo center after Frankfurt a.M., and Leipzig.

The 24-hour operating license of CologneBonn Airport, which remains in place until 2030, ensures maximum flexibility in the handling of flights.

All airports in North Rhine-Westphalia have excellent road and rail links. Düsseldorf and Cologne/Bonn airports have fast rail connections to the centers of the two cities on the Rhine. A good ICE connection between the Cologne/Bonn and Frankfurt a.M. airports also allows passengers to transfer from domestic to overseas flights via the airports.

ROADS

2,200 kilometers of expressways form a dense network of long-distance roads. Every place of importance in the state has its own expressway on- and off-ramp. This means that all parts of the state are connected to the major European trunk roads. There are also 4,800 km of federal highways, 12,800 km of country roads and 9,800 km of local district roads.

RAIL

NRW has the highest rail network density in Germany. Track length amounts up to 6,000 km. The state is an important hub in the high-speed rail network. This includes the Thalys connections from Cologne to Brussels and Paris, as well as ICE line from Cologne via Frankfurt/Main to Munich or Basel.

In addition, Deutsche Bahn AG provides numerous regional trains, with public suburban rail systems also ensuring the mobility of the population.

Furthermore, North Rhine-Westphalia is home to important hubs in freight rail transport. These include Germany's largest transshipment center at Cologne-Eifeltor and other major hubs in the European rail network such as Duisburg/Oberhausen, the eastern Ruhr region and Hagen.

The new Dutch stretch of goods transport track Betuweroute/Betuwe-Linie directly links the Ruhr Metropolis to Rotterdam, Europe's largest seaport. In order to meet rising demand in goods traffic, North Rhine-Westphalia will be adding a third track to this stretch in the coming years.

The customer service center of Deutsche Bahn is located in Duisburg. In addition, numerous other rail companies focusing on goods traffic are to be found in North Rhine-Westphalia, including some of the largest companies in rail freight transport such as HGK, TX Logistik and Duisport rail.

WATER

As Europe's most important waterway, the Rhine is of outstanding significance for shipping in North Rhine-Westphalia. The Rhine connects the region to the major seaport of Rotterdam. North Rhine-Westphalia is the largest German location for inland ports. Every year, more than 122 million tons of goods are handled at a total of 120 public and private ports. These include the Port of Duisburg, the world's largest inland port. Other important cargo ports are to be found in Cologne and Neuss. In both cities the ports are linked to freight lines and therefore provide excellent conditions for combined rail-waterway transport.

North Rhine-Westphalia – An Ideal Location for Any Industry

The steel, automotive and chemical industries have long characterized the industrial landscape of North Rhine-Westphalia. Names such as Thyssen and Krupp are synonymous with this tradition. Today, the range of industries has become much broader. On the one hand, traditional industrial sectors such as mechanical engineering demonstrate their innovative strength, while modern industrial sectors such as biotechnology or communications technologies have emerged.

In 2012, industrial turnover in North Rhine-Westphalia totaled 342.5 billion euros. This represents approximately 20 percent of the total industrial turnover in Germany.

AUTOMOTIVE

North Rhine-Westphalia is one of the most important automotive locations in Germany. Every year, approximately 800,000 passenger cars and commercial vehicles are produced here for the world market, as well as trailers, bodies, containers, vehicle parts, and accessories. In total, i.e. including suppliers that do not produce exclusively for the automotive industry, the industry encompasses approximately 800 companies employing over 200,000 people. Key companies include Daimler AG in Düsseldorf and Ford-Werke GmbH in Cologne (manufacturers), as well as Bayer MaterialScience, HELLA, LANXESS and ThyssenKrupp Automotive Systems (suppliers). Besides the traditionally important subject areas in conventional automotive engineering, the state also offers great potential in the field of electric mobility: Centers of excellence in Aachen, Dortmund and Münster have been set up to advance the new technology.



BIOTECHNOLOGY

Over the last few years, biotechnology has developed into an important innovation and business sector for Germany. With its first-class scientific landscape, numerous internationally successful SMEs and a strong, globally active chemical and pharmaceuticals industry, North Rhine-Westphalia is a major contributor to this development. One example of the state's leading international position in biotechnology is the fact that it occupies ninth place worldwide and first place – by a long way – in Europe in terms of the number of biotech patent applications. Some 360 life science firms, of which approximately 100 specialize in biotechnology, mark the state as one of Europe's leading innovation centers. Besides the global heavyweights such as Bayer, Evonik, Grünenthal and Henkel which are also active in biotechnology, it is above all the core biotech companies which distinguish North Rhine-Westphalia as a location. These include such major international players as Biotech and QIAGEN, as well as numerous dynamically growing companies such as AiCuris, Cevec Pharmaceuticals, Celonic, DIREVO Industrial Biotechnology and evocat. Together, these companies generate 46 percent of total German sales in this segment.

CHEMICALS

North Rhine-Westphalia is Germany's most important location for chemicals. It is distinguished by its firstclass research, its special mixture of a broad mid-market and numerous internationally successful large corporations in the heart of a strongly globally operating chemical and pharmaceutical industry in Europe. As a chemical location, North Rhine-Westphalia ranks 6th in the EU and 14th in the world in terms of sales with over 48.5 billion euros. In 2012, the North Rhine-Westphalia share of annual German sales was 33.5 percent. The number of people employed in this industry was more than 90,000 (27.8 percent share of German total). Around 70 percent of all substances manufactured by the chemical industry go into industrial processing. As a central materials supplier the chemical industry is responsible for initiating a large proportion of the innovations in these value added chains. For this reason the chemical industry is also referred to as the innovation engine for industry as a whole. The major chemical companies include ALTANA, Bayer, Evonik Industries, Henkel and LANXESS.



ENERGY

The state between Rhine and Ruhr supplies around 30 percent of the electricity required throughout Germany. 90 percent of German black coal and 54 percent of German brown coal are mined here. Around 32 percent of German industrial electricity is consumed here. These figures show that more energy is converted and used in North Rhine-Westphalia than in any other federal state. From a long tradition of utilizing natural resources, a wide-ranging expertise in energy technology has grown in the state. There is a dense network of research institutes here, as well as numerous companies offering innovative energy products and services for increasing energy efficiency and the utilization of renewable energies. For many future-oriented companies, North Rhine-Westphalia is the ideal location. According to a study conducted by the International Economic Forum for Renewable Energies (IWR) there were around 28,200 employees working in some 3,600 companies in this field in 2011. These companies generated annual sales of more than 8.7 billion euros. The companies E.ON and RWE number among the world's largest energy suppliers. The state provides the many and varied energy companies with an outstanding research environment: Research and teaching in all the relevant areas of energy technology take place at over 30 locations in universities and research institutes. This know-how represents a significant locational advantage for the industry.

ENVIRONMENTAL TECHNOLOGY

The environmental technology sector has grown into a global key industry over the last few years. North Rhine-Westphalia occupies a strong position nationally in this growth market. With sales of approximately 60 billion euros in the field of environmental technologies the state is the most successful federal state in this sector. The development and application of new environmental technologies not only has positive effects on the environment, but is also a growth driver and employment engine for North Rhine-Westphalia. Today the industry offers around 274,000 jobs. The strength of North Rhine-Westphalia is also demonstrated in a national comparison of location factors. Companies benefit from a large demand for environmental technology services and products, extremely well-trained specialists thanks to an excellent university landscape, and an outstanding infrastructure. In terms of these three central location factors, North Rhine-Westphalia occupies a leading national position and presents itself as a highly attractive location for companies. The major players in the industry include Interseroh (ALBA Group) and Remondis.



FOOD

In a nationwide comparison, the food industry in North Rhine-Westphalia occupies an outstanding position. The large number of efficient and mainly small and medium-sized enterprises plays a particularly important role. The strength of the food industry in North Rhine-Westphalia lies in the region's proximity to millions of customers in Germany and abroad, a broad mix of industries and the presence of highly efficient suppliers of all kinds. These location advantages are maintained and supported by product and process innovations, as well as new market strategies. It is therefore no coincidence that five of the ten top-selling retail chains in Germany are based in North Rhine-Westphalia. More than 850,000 people in over 113,000 businesses work in North Rhine-Westphalia along the food value chain, which ranges from the input sectors of agriculture to the various consumer interfaces in the food retail trade or the food service industry. Renowned global players in the food industry based in North Rhine-Westphalia include Dr. Oetker, HARIBO and Zentis.

HEALTHCARE

The healthcare industry has by far the largest workforce of any sector in North Rhine-Westphalia. With more than 1.14 million employees it accounts for approximately 12.8 percent of all working people in the state. Between 2007 and 2012 alone, approximately 129,000 new jobs were created in the more than 61,000 North Rhine-Westphalian healthcare companies. In the health service, North Rhine-Westphalia has a unique network: 401 hospitals, 148 preventive and rehabilitation facilities, approximately 4,700 pharmacies, more than 28,000 doctor's offices, over 2,320 nursing homes and approximately 2,300 out-patient services form the core area of medical and pharmaceutical care. The university clinics in Aachen, Bonn, Cologne, Düsseldorf, Essen and Münster and the decentralized clinic model of the Ruhr University Bochum also occupy top positions in research and teaching. Numerous non-university facilities conduct research and development on products and services for the health of the population. These include five Max Planck Institutes and five Leibniz Institutes, the German Center for Neurodegenerative Diseases in Bonn and Witten, as well as nine Fraunhofer Institutes. Besides well-known companies such as 3M, Brasseler, Medtronic and Sarstedt, medical technology in North Rhine-Westphalia is characterized by small and medium-sized enterprises that include Medifa, Roeser Medical and Kabe Labortechnik. With Bayer HealthCare, UCB Pharma and Janssen-Cilag the North Rhine-Westphalian pharmaceutical industry has companies of international standing. However, the pharmaceutical industry in the state is also characterized by SMEs such as Dr. August Wolff Arzneimittel and MEDICE Arzneimittel Prütter. With the Healthcare Campus in Bochum the state government has once again underlined its commitment to making North Rhine-Westphalia a strong health state in the long term. In addition, together with the European Union the state supports more than 100 innovative healthcare projects with funds totaling 80 million euros.



INFORMATION AND COMMUNICATION TECHNOLOGY

In North Rhine-Westphalia, smart information and communication technology (ICT) is unfolding its innovative strength in major areas of application. As a result of the close collaboration between research, development and application companies, intelligent technical systems for the key sectors of the economy such as automotive engineering, energy, healthcare, logistics and mechanical engineering are being created in the industrial location North Rhine-Westphalia. 40 percent of productivity growth in the EU is attributed to the production and use of ICT, and 50 percent of all product innovations are made possible in the first place by ICT. This potential is put to strategic use in North Rhine-Westphalia and has economic leverage effects: In 2011, the over 23,500 ICT companies in the state employed approximately 196,000 people and generated sales of around 92 billion euros. This accounts for 16.3 percent of the gross domestic product in North Rhine-Westphalia. The basis for the further development of the technology and innovation location North Rhine-Westphalia is formed by well-known ICT companies and a strong SME sector with numerous "hidden champions" which drive the development of intelligent applications across all industries. With sales of approximately 40 billion euros the information technology (IT) sector alone numbers over 150,000 employees subject to social security contributions (2011). The Rhine-Ruhr region distinguishes itself in many areas of IT and software development. The IT companies based in the state include such international market leaders as Atos, Fujitsu, HP, IBM, Itelligence, Materna and Toshiba. In addition, North Rhine-Westphalia is the top telecommunications industry (TC) location in Germany. Four of the big players in the TC industry – Deutsche Telekom, E-Plus, Ericsson and Vodafone – have their headquarters along the "Rhine axis". In 2011, the telecommunications sector in North Rhine-Westphalia generated sales of approximately 52 billion euros with over 42,000 employees. In the attractive growth market mobile communications, 86 percent of the German mobile telephone market is accounted for by companies from North Rhine-Westphalia.

LOGISTICS

North Rhine-Westphalia with its dense network of transportation routes is one of the central transportation hubs in Europe. Without a highly-developed logistics system, the national and international flow of transportation would not be manageable. The logistics sector is one of the leading growth industries in North Rhine-Westphalia. With 27,800 companies employing 284,000 people, it is one of the largest industries in North Rhine-Westphalia. Including the employees who perform logistical tasks in industrial and commercial enterprises, there are around 615,000 people working in the logistics industry. In addition, the Fraunhofer Institute for Material Flow and Logistics (IML) in Dortmund is one of the world's largest research facilities in the field of logistics. Well-known industry players based in North Rhine-Westphalia include Deutsche Post DHL, FedEx, Fiege, Imperial, Kühne+Nagel, Raben, Rhenus, Schenker, UPS and Yusen Logistics.



MECHANICAL ENGINEERING

Mechanical engineering is a core area of the economy in North Rhine-Westphalia and the biggest industrial employer with more than 204,300 employees (20.4 percent of the German total in this industry). Its companies are enablers and technology leaders in many areas, incorporating the latest developments into plants and products. By doing so, they put themselves and their customers in a position to bring innovative technologies and products to market. With pioneering technologies covering the entire value added chain they make a key contribution to securing supply, conserving resources and using energy efficiently. The very large majority of the industry has a small and medium-sized company structure. A dense network of universities with institutes geared to production technology provides world-class potential, enabling industrial development to be strengthened by the necessary scientific support. In 2012, the share of industry sales accounted for by the around 1,500 North Rhine-Westphalia businesses was 21.7 percent. The largest companies in the industry include Claas, GEA, DMG MORI SEIKI AKTIENGESELLSCHAFT and SMS.

MEDIA

With 25,000 media and communications companies, approximately 425,000 employees and sales of 126 billion euros, the state has developed into a leading media and creative location. An attractive cultural landscape ensures a high quality of life as well as productive cross-links between media, art and culture. With Bertelsmann and Deutsche Telekom, two global players based in North Rhine-Westphalia lead the ranking of the most influential media corporations. Cologne, the number one television location, is home to WDR, Europe's largest public-law broadcasting company, RTL, Germany's most successful private broadcasting station, and eight of the ten most important TV producers. One out of three minutes of TV airtime in Germany is produced in North Rhine-Westphalia. The games industry here also achieves high scores, generating the biggest sales anywhere in Germany. Two of the world's leading games publishers, Electronic Arts and Ubisoft, are based on the Rhine. And not least, top industry events and major trade shows such as dmexco, gamescom and medienforum.nrw underline the leading role played by the media state. The Film and Media Foundation North Rhine-Westphalia is a central point of contact for media in the state. To this end, it has taken over Medien.NRW, the media cluster, and opened its doors for the promotion of innovative media content.



MICROSYSTEMS TECHNOLOGY

In Germany, microsystems technology (MST) plays a central role in growth and employment. The global market share of German MST products is approximately 20 percent – and rising. There are 766,000 jobs directly linked to microsystems technology, and by 2020 it could be as many as 963,000. 28 percent of all German actors are to be found in North Rhine-Westphalia, placing the state in a leading position nationwide with regard to microsystems technology. The particularly close ties between industry and science facilitate a high innovation speed which in turn results in an above-average number of companies locating in North Rhine-Westphalia. Around 170 companies, including 130 small and medium-sized enterprises (SMEs), nearly 100 university institutes and approximately 20 other research institutes are based here. Regional focuses are to be found in Aachen, Cologne/Bonn, Dortmund, Münster and the Ruhr Metropolis. The Dortmund-based MST Cluster is one of the largest clusters in Europe, with more than 2,300 employees working for approximately 45 companies. Well-known companies in this area include Bartels Mikrotechnik, Boehringer Ingelheim microParts, ELMOS, iX-Factory and microTEC.

NANOTECHNOLOGY

Nanotechnology (NT) is cross-sectional technology. It combines different scientific disciplines and is regarded internationally as one of the key technologies of the 21st century. The Federal Ministry of Research defines nanotechnology as “all procedures and processes concerned with the controlled manufacture, examination and application of structures and materials in a magnitude between 1 and 100 nanometers”. North Rhine-Westphalia also occupies a top position in nanotechnology throughout Germany and Europe. The main areas of nanotechnology include nanoanalytics, nanocoatings, nanobiotechnology, nanoelectronics and nanomaterials. Over 190 institutes at more than 30 science locations, including six Fraunhofer institutes and two Max-Planck institutes, conduct research and development here. In 2013, two new, promising centers of excellence were founded: the NanoBioanalyticalCenter Münster (NBZ) and the NanoEnergy-TechnologyCenter (NETZ) of the University of Duisburg-Essen. Added to this, there are more than 200 companies, including many small and medium-sized enterprises (SMEs), highly innovative companies and spin-offs that concern themselves with nanotechnology and are in some cases world market leaders. These include Aixtron, AMO, Bayer MaterialScience, BYK Chemie, FRT, NanoFocus and RAITH.



NEW MATERIALS

Outstanding scientific research facilities combined with the high concentration of important materials for manufacturing sectors of industry, in some cases with a long tradition, make North Rhine-Westphalia a region with wide-ranging materials expertise. There are 726,000 jobs, 200 billion euros in sales and 6,110 companies and research facilities linked directly to new materials. Focal areas of research are to be found in the Aachen region, Bochum and Paderborn, while the main business emphasis lies in the Ruhr Metropolis (Bochum, Dortmund, Duisburg, Essen) and the Rhineland. In addition, there are numerous networks on a technical and regional level. North Rhine-Westphalia is thus one of the most important locations in Germany for new materials. Companies based in North Rhine-Westphalia include 3M, Bayer, Evonik Industries, Henkel, Hydro Aluminium and ThyssenKrupp.

PLASTICS

With its distinctive cross-sectional character, the plastics industry is the carrier and driver of innovations in the fields of materials, production processes and products for practically all areas of life in North Rhine-Westphalia. A continuous value added chain of plastic manufacturers, plastic processors and manufacturers of plastic-processing machinery, an extensive scientific, research, and service landscape, are all proof of the industry's excellence, which in this concentration and composition is unique in Europe. Around 1,000 companies with approximately 116,500 employees from the plastics industry, as well as scientific and educational associations and institutes, form the plastics cluster in NRW. The goal of the cluster is to strengthen competitiveness through the networking of all the actors, the reinforcement of international cooperations and the further sharpening of North Rhine-Westphalia's profile as a plastics location. In NRW, investors will find established structures which they can utilize and contacts which are compiled by Verein kunststoffland North Rhine-Westphalia. Successful companies include Bayer MaterialScience, Evonik Industries, LANXESS (manufacturers), Bond-Laminates, Gerhardi Kunststofftechnik (processors) and ENGEL, Reifenhäuser (mechanical engineering).

Strong Industry Offers Good Environment for Service Providers

Nowhere else in Germany do industry-related service providers (e.g. consultancies, engineering offices, EDP, R&D) – many of which are business partners to industrial companies – contribute so much to innovation and value added as in North Rhine-Westphalia. The strength of industry in North Rhine-Westphalia is due in no small measure to the strength of these industry-related service providers.

28.1 percent of the sales generated in the narrower sense by industry-related service providers in Germany comes from North Rhine-Westphalia – more than in any other state. The same is true of employment: 26.5 percent of all people employed in industry-related services in Germany work in NRW. 23.1 percent of the companies are also located here.

In 1970, 55.7 percent of the state's gross value added was generated in industry and only 42.3 percent in the service sector. By 2012, this ratio had been more than reversed: the service sector dominated in North Rhine-Westphalia with 70.5 percent as compared to industry with 29.0 percent. The number of people employed in the service sector has grown by more than a million to 6.6 million since 1970.

North Rhine-Westphalia – One of Europe's largest marketplaces

16.6 percent of German exports are “made in North Rhine-Westphalia” (181.9 billion euros). 22.3 percent of all German imports go to North Rhine-Westphalia (203.9 billion euros). The state's total trading volume amounts to 386 billion euros.

North Rhine-Westphalia is clearly an attractive location for trading companies: 16 of the 40 largest German trading companies are based here, including such well-known names as Aldi, C&A, Deichmann, Metro, Rewe and Tengelmann.

Highly Qualified Workforce

North Rhine-Westphalia has a high density of universities and research institutions. These include 70 universities and universities of applied sciences with more than 637,000 students, 41 technology centers and more than 40 non-university research facilities.

Several internationally renowned institutions such as the German Aerospace Center, twelve Max Planck Institutes, 13 Fraunhofer Institutes and ten institutes of the “Leibniz Association” are based in North Rhine-Westphalia. The well-known Forschungszentrum Jülich research center with its numerous institutes conducts research mainly in the field of innovative technology. Peter Grünberg, winner of the Nobel Prize in physics 2007, researched into giant magnetoresistance here – a discovery without which modern computers with hard disks capable of storing huge data volumes or mp3 players would be completely unthinkable.

North Rhine-Westphalia – the World's Biggest Trade Fair Venue


With Cologne, Düsseldorf, Essen and Dortmund, North Rhine-Westphalia is the world's no. 1 trade fair location. More than 60 internationally leading trade fairs – such as anuga, boot, drupa, MEDICA or photokina – attract approximately six million visitors every year.

One of Europe's Richest Cultural Landscapes

North Rhine-Westphalia has one of the most important cultural landscapes in Europe. More than 200 theatres, ballets and opera houses offer a wide range of cultural activities. 680 museums exhibit art and archaeology throughout the state. One of the most important art collections in North Rhine-Westphalia of international renown is the Museum Ludwig in Cologne with a major collection of works by Picasso.

Architectural highlights such as the cathedrals in Aachen and Cologne, Augustusburg Castle or the Zollverein Coal Mine Industrial Complex – all of which are UNESCO World Heritage Sites – attract millions of tourists. Cologne Cathedral is Germany's most famous and most frequently visited tourist attraction.

Between the Rhine and Weser rivers, North Rhine-Westphalia offers a highly varied landscape with numerous opportunities for sporting activities and recreational holiday experiences. Three-quarters of North Rhine-Westphalia is comprised of nature and green spaces. The landscape is characterized by 14 natural parks among them the National Park Eifel, more than 200 lakes and dams as well as the popular skiing region in Hochsauerland.



1 Coming to Germany

Who Needs a Visa?

Visa Application Process

Visas for Setting Up Business

Visas for Running the Business on-site

Visa for Employees

Visa for Partner and Children

NRW Representative Offices

At some point in the process of setting up a company, investors usually visit their future business location in Germany. Like every country, Germany has certain entry regulations that might require different types of visas and permits. What visa is needed for establishing a business in Germany? And most importantly: how can it be obtained?

Who Needs a Visa?

EU Nationals

Generally, citizens of the European Union (EU), the European Economic Area (EEA), and Switzerland may enter, stay, and work in Germany without any visa. They only have to register at the local registration office (*Einwohnermeldeamt*), e.g., if they change their residence to Germany.

EU citizens from the Eastern European EU member states Bulgaria, Croatia and Romania still require a work permit for taking up employment in Germany, issued by the Federal Employment Agency (*Bundesagentur für Arbeit*). For Bulgarian and Romanian citizens this transitional rule will cease by the end of 2013. However, the labor market is open to university graduates from Bulgaria, Croatia and Romania if they are employed in Germany according to their qualification.

Non-EU Nationals

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

For short-term stays in Germany (stays not exceeding 90 days per six-month period starting from the initial date of arrival) a Schengen visa is needed for entry into Germany. A Schengen visa is generally sufficient for most steps required to establish a business in Germany.

If the duration of the stay exceeds 90 days (per six-month period) or is a (self-employed or gainful) occupation taken up, all non-EU citizens require a residence permit (*Aufenthaltserlaubnis*) or settlement permit (*Niederlassungserlaubnis*). For this purpose, the German embassies or consulates issue a national visa for entering Germany which is “transferred” into a residence or settlement permit in Germany.

Nationals of certain countries do not require a visa for entry into or short-term stays in Germany. The Federal Foreign Office (*Auswärtiges Amt*) provides detailed information on entry requirements into Germany for different countries. Please refer to the following site.

Entry Requirements into Germany for Different Countries
www.auswaertiges-amt.de

OVERVIEW OF DIFFERENT TYPES OF VISAS FOR GERMANY

Types of Visa	Needed for	Visa Required	Required for
Schengen Visa	Stays in Germany for up to 90 days per six-month period	Schengen Travel Visa (for business persons in the form of a "business visa")	Entrepreneurs setting up businesses
National Visa	Stays in Germany exceeding 90 days, with the intention of taking up gainful occupation	Residence permit for the purpose of self-employment	Entrepreneurs running the business in Germany
National Visa	Stays in Germany exceeding three months, with the intention of taking up gainful occupation	Residence permit for the purpose of taking up employment	Employees working in Germany

Schengen Visa and National Visa

For short-term stays in Germany (up to 90 days per six-month period starting from the initial date of arrival) all non-EU citizens require a Schengen visa to enter Germany. With this visa, entrepreneurs can perform most activities necessary to set up their business in Germany.

Is the duration of the stay exceeding 90 days (per six-month period) or is a (self-employed or gainful) occupation taken up, a national visa is required to enter Germany. In Germany, this national visa must be converted into a residence or settlement permit by the responsible local immigration office (*Ausländerbehörde*) in order to stay in Germany according to the intended purpose of the trip.

VISA EXEMPTIONS

However, there are visa exemptions for several countries. Citizens from Argentina, Australia, Brazil, Canada, Hong Kong, Israel, Japan, Mexico, New Zealand, South Korea, the United States and some other countries may stay in Germany up to 90 days without any visa. Still, a national visa is required when entering Germany for long-term stay purposes or when a (self-employed or gainful) occupation is taken up.

Only citizens from Australia, Canada, Israel, Japan, New Zealand, South Korea, and the United States may enter Germany for long-term stay purposes without a national visa. These foreign nationals may directly apply for the necessary residence or settlement permit at the immigration office (*Ausländerbehörde*) in Germany.

The Federal Foreign Office (*Auswärtiges Amt*) is able to provide detailed information on individual rules for certain countries.

Entry Requirements into Germany for Different Countries
www.auswaertiges-amt.de

Residence Permit and Settlement Permit

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



A residence permit is always limited in time, a settlement permit is unlimited. A settlement permit will usually be issued, if a non-EU citizen has been in possession of a residence permit for at least five years. Both residence and settlement permit are always issued for a specific purpose, usually for the purpose of self-employment or for the purpose of taking up employment in Germany.

A residence or settlement permit will be issued by the local immigration office (*Ausländerbehörde*) in Germany. To enter Germany, a national visa is issued for the trip to Germany by the responsible German embassy in the applicant's home country or country of residence. This is then converted into a residence or settlement permit in Germany.

However, there are exceptions for several countries. Citizens from Australia, Canada, Israel, Japan, New Zealand, South Korea, and the United States may enter and stay in Germany without a national visa (up to 90 days). The application for a residence or settlement permit for the purpose of self-employment or taking up employment can be filed at the local immigration office in Germany.

The German Federal Office (*Auswärtiges Amt*) has detailed information on visa requirements available. Please also refer to the following site:

Entry Requirements into Germany for Different Countries
www.auswaertiges-amt.de

Visa Application Process

What Prerequisites Need to be Met for a Visa?

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

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



Where to Apply For a Visa?

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

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

Visa Application Forms provided by the Federal Foreign Office
(*Auswärtiges Amt*) www.auswaertiges-amt.de

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

Online Visa Application Acquisition System of the Federal Foreign
Office (*Auswärtiges Amt*) <https://videx.diplo.de>

Who Will Issue the Visa?

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

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

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

How Long Does It Take to Issue a Visa?

A visa for short-term stays (*Schengen Visa*) will usually be issued within around two to ten working days.

For visas permitting the holder to work (self-employed or employed) in Germany, a processing time of a few months should be expected.

The Germany embassies and consulates charge a handling fee of 60 euros for Schengen visas and national visas respectively.

Visas for Setting up Business

Establishing a Business with the Schengen Visa

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

A Schengen visa permits a 90-day stay in Germany (per six-month period starting from the initial date of arrival), during which all of the key business formation steps can be carried out. These include:

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

Citizens of certain countries may stay in Germany for up to 90 days (per six-month period) without a Schengen visa.

What Is Needed When Applying for a Schengen Visa?

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

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

Where the entrepreneur personally applies for a Schengen visa (or business visa), documents such as a copy of the foreign company's entry in the foreign commercial register, articles of association, and bank statements from the last three months may also be required.

Other Visa Requirements

In some cases, authorities might require a national visa, namely a residence permit for the purpose of self-employment (*Aufenthaltserlaubnis für selbständige Tätigkeit*), during the last phases of setting up a company. A residence permit for the purpose of self-employment allows individuals to perform all of the steps necessary to establishing a business in Germany as well as running the business on-site.

If the establishment of the company and the stay in Germany exceed 90 days it is also necessary to apply for a residence permit in advance.



Please note: Establishing a business in Germany with a Schengen visa (business visa) is no guarantee for the subsequent issuing of a residence permit. For this reason it is necessary - appropriate to the intended business activities in Germany - to apply for a residence permit for the purpose of self-employment or regular employee purposes in advance.

Visas for Running the Business On-Site

The Residence Permit for the Purpose of Self-Employment

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

This is generally issued if

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

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

- Viability of the underlying business idea
- Investor's entrepreneurial experience
- Level of capital investment and availability of capital
- Effects on the regional employment and (employee) training level
- Contribution towards innovation, research and development in Germany

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

Who is Considered to be Self-Employed?

Foreign business operators are considered to be self-employed if they are (e.g.):

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



The Settlement Permit

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

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

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

Visa for Employees

The Residence Permit for the Purpose of Taking Up Employment

Employees who are from non-EU countries and who are employed in a new subsidiary company in Germany require a residence permit for the purpose of taking up employment (*Aufenthaltserlaubnis für abhängige Beschäftigung*) in Germany.

The residence permit for the purpose of taking up employment contains both: the permit to stay and the permit to work in Germany. Foreign nationals do not have to apply separately for a work permit. The residence permit for the purpose of taking up employment contains a statement as to whether and to what extent work will be permitted.

As with a residence permit for self-employment, a residence permit is issued to employees for up to three years. As a rule, the residence permit can be extended without any problems. After five years a permanent settlement permit is issued in most cases.

Regulations for Employees from the New EU Member States

Generally, citizens of the European Union (EU), the European Economic Area (EEA), and Switzerland may enter, stay, and work in Germany without any visa. They only have to register at the local registration office (*Einwohnermeldeamt*), e.g., if they change their residence to Germany.

EU citizens from the Eastern European EU member states Bulgaria, Croatia and Romania still require a work permit for taking up employment in Germany, issued by the Federal Employment Agency (*Bundesagentur für Arbeit*). For Bulgarian and Romanian nationals, this transitional rule will cease by the end of 2013. However, the labor market is open to university graduates from Bulgaria, Croatia and Romania if they are employed in Germany according to their qualification.

Approval from the Federal Employment Agency

(A residence permit for the purpose of taking up employment is issued by the local German immigration office (*Ausländerbehörde*)).

As a rule, the residence permit is only issued for certain professional groups, e.g.

- Academics
- IT professionals
- Managerial employees
- Employees with specialist knowledge

and additionally, only if:

- It is possible to demonstrate a specific offer of employment, and
- The Federal Employment Agency (*Bundesagentur für Arbeit*) has issued its approval.

The Federal Employment Agency issues its approval if no suitable German employee or employees from other EU member states are available (so-called “priority check”) and the foreign employees are hired at the same terms and conditions of employment as comparable German employees (especially in terms of wages and working hours).

EXCEPTIONS

There are important exceptions to these rulings.

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

- Employed managing directors
- Managerial employees
- Scientific research personnel

2. The so called EU Blue Card (*Blaue Karte EU*) may be granted by the local immigration office to certain highly qualified employees without or with only a limited approval of the Federal Employment Agency. Please read more in the EU Blue Card-Residence Permit for Highly Qualified Employees section.

3. The Federal Employment Agency issues its approval without any priority check *inter alia* for internal specialists with company specific knowledge whose work is required in the German subsidiary. Still, the foreign employee must be hired at the same terms and conditions of employment as comparable German employees.

4. Exceptions also apply to citizens from the following countries:

- Australia, New Zealand
- Japan, South Korea
- United States, Canada
- Israel

Nationals from these countries do not need to belong to a specific professional group in order to obtain a corresponding residence permit. However, it might still be necessary to obtain an approval including a priority check from the Federal Employment Agency.

Please note that in any case a residence permit issued by the local immigration office (*Ausländerbehörde*) must still be obtained.

EU Blue Card - Residence Permit for Highly Qualified Employees

Since August 2012, the so called EU Blue Card (*Blaue Karte EU*) allows highly qualified non-EU citizens to be fast-tracked to employment in Germany.

Foreigners may apply for this special kind of residence permit if they hold a German university degree (or a proven comparable qualification) and demonstrate a job contract with an annual gross salary of at least 46,400 euros (2013). The local immigration office (*Ausländerbehörde*) does not need to involve the Federal Employment Agency (*Bundesagentur für Arbeit*) before issuing the EU Blue Card.

The annual gross salary level is lower (36,192 euros) in professions with a particular skill shortage (e.g. medical doctors, science and engineering professionals as well as information and communications technology professionals). Here, an approval of the Federal Employment Agency is required. However, the Federal Employment Agency does not carry out a priority check in these cases, but only checks if foreign employees are hired at the same terms and conditions of employment as comparable German employees.

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

Exceptions for Employees Temporarily Posted to Germany

There are different regulations allowing non-EU-based companies to temporarily send employees to Germany without having to receive the approval of the Federal Employment Agency (*Bundesagentur für Arbeit*).

For example, the approval requirement is not needed for certain occupational groups posted for up to a total of three months within a twelve month period (the three month period does not have to be consecutive).

Please note: The employer must notify the Federal Employment Agency about the planned activity, even if no residence permit is required.

Visa for Partner and Children

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

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

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



NRW Representative Offices

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

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2 Establishing a Company

Company Forms

Business Registration

Transferring Assets

Any entrepreneur who wishes to start a business in Germany may do so: there are generally no restrictions limiting the establishment of new companies. Find out what steps are required for establishing the new business in Germany: from choosing the appropriate legal form for the business to entry in the trade register.

Company Forms

Different Company Forms

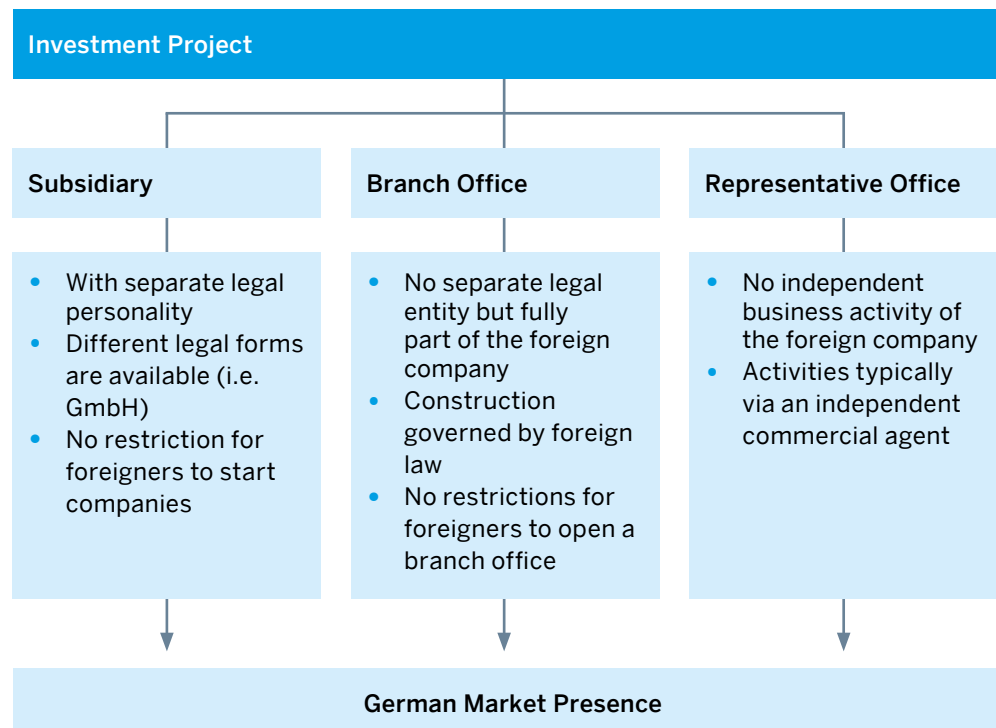
Anyone can establish a business in Germany - irrespective of nationality or place of residence. There is no specific investment legislation in Germany, nor is a minimum percentage of German shareholdings required for foreign entrepreneurs.

Choice of the Legal Form

Foreign investors can choose the most suitable legal company form as a corporation or partnership or conduct business via a Germany-based branch office. Either way, establishment procedures are straightforward with well-defined steps.

Decisive criteria for the choice of legal form are generally the intended function of the shareholders, liability and terms of taxation.

The basic structure of all company forms is stipulated by law which provides for predictability and legal certainty. The same legal conditions apply for foreign and local entrepreneurs.



Corporations

FOUR DIFFERENT FORMS OF CORPORATIONS - QUICK FACTS

Legal/Establishment Form	Minimum Number of Partners	Minimum Share Capital	Legal Liability	Establishing Formalities
Limited Liability Company (<i>GmbH</i>)	One partner	EUR 25,000	Liability limited to share capital	Moderate
Limited Liability Entrepreneurial Company (" <i>Mini GmbH</i> ")	One partner	EUR 1.00	Liability limited to share capital	Low-moderate
Stock Corporation (AG)	One partner	EUR 50,000	Liability limited to share capital	Moderate-high
Partnership Limited by Share (KGaA)	Two partners: general partner and limited shareholder	EUR 50,000	General partner: personal unlimited liability Limited shareholder: limited share liability	Moderate-high

When choosing the legal form of the company, a corporation is usually the best option for larger, established companies. There are four major forms of corporations under German law:

- Limited Liability Company (*GmbH*)
- Limited Liability Entrepreneurial Company ("*Mini GmbH*")
- Stock Corporation (AG)
- Partnership Limited by Shares (*KGaA*)

MAIN CHARACTERISTICS

A corporation is a legal entity, meaning that the holder of rights and obligations is not the individual shareholder, but the company itself. The corporation itself concludes contracts, holds assets and is liable for taxation.

Liability is limited to the corporation's business assets, including share capital. A minimum share capital is required, and the accounting obligations are more extensive than those for other business legal forms (such as partnerships).

ESTABLISHMENT OF A CORPORATION

A corporation can be established by any number of different partners. Compensating the limited personal liability of the shareholder(s), corporations require a minimum share capital. It can be contributed in cash or in kind (e.g. real estate or patents). The establishment must be specified in the articles of association and certified by a notary. Additional establishment steps are necessary for certain forms of corporations.

The establishment procedure ends with registration in the commercial register (*Handelsregister*). Only at this point in time does the corporation's limitation of liability become effective. The application for the registration of the company in the commercial register has to be signed by the managing director(s) personally before a notary, who certifies and files it with the responsible commercial register in electronic form. Prior to the corporation starting business, the trade office (*Gewerbe-/Ordnungsamt*) must be notified of the business activity in question.

TAXATION OF CORPORATIONS

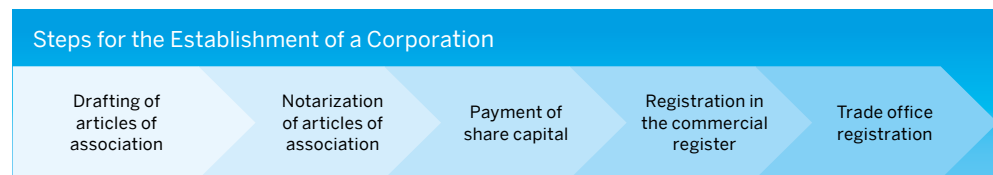
Corporations are liable to corporate income tax, trade tax and solidarity surcharge. The average tax burden is less than 30 percent. In some regions, due to a locally variable rate of trade tax, it is under 23 percent.

CHARACTERISTICS

Limited Liability Company (GmbH)

The German limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) is the most widely used legal form for corporations. It combines high flexibility with relatively few obligations. A GmbH is liable to corporate income tax, solidarity surcharge and trade tax.

Setting up a GmbH is easy and uncomplicated and can be accomplished in just a few steps.



The application for the entry in the commercial register is usually prepared by the authorized notary when articles of association are notarized.

Germany Trade & Invest 2011

SHARE CAPITAL

The minimum share capital required to establish a GmbH is 25,000 euros (this can also be made up of contributions in kind). At the time of registration, at least half of the minimum capital (i.e. 12,500 euros) must be actually and verifiably contributed on a bank account.

FORMATION PROCEDURE

The formation procedure of a GmbH is fairly uncomplicated, as it is established by the founding shareholder(s) executing a deed of formation and articles of association in the presence of a notary.

For uncomplicated standardized formations of a GmbH model articles of association (for set-ups by cash subscription with a maximum of three shareholders and one managing director) are provided. These articles must still be notarized, but for a reduced fee.

In addition, sample deeds are also provided by the chambers of industry and commerce (*Industrie- und Handelskammer, IHK*).



Ideally, the time period required for the formation of a GmbH is two to three weeks. The estimated total costs for the formation of a standard GmbH are approximately 750 euros to 1,000 euros plus fees for legal counsel if a lawyer is employed to draw up the articles of association. The German Bar Association provides a register of German lawyers.

German Bar Association (*Deutscher Anwaltverein*)
<http://anwaltverein.de>

MANAGEMENT

A GmbH is managed and legally represented by its managing directors. There must be at least one managing director (who does not have to be a shareholder or a German resident). By issuing binding instructions or directions to the managing directors, the shareholders may exercise direct influence on the management of the GmbH.

REGISTRATION

In order to be valid, the GmbH must be entered into the commercial register (*Handelsregister*). All managing directors (*Geschäftsführer*) must sign the commercial register application in person in the presence of a notary.

Once registered in the commercial register, the GmbH becomes a legal entity. The GmbH must then be registered at the local trade office (*Gewerbe-/Ordnungsamt*).

Limited Liability Entrepreneurial Company (“Mini GmbH”)

The Mini GmbH (*Unternehmergesellschaft UG, haftungsbeschränkt*) is not a separate legal form of company, but a GmbH which has a minimum capital of less than 25,000 euros and where cash subscription is required. This means that it is possible to set up a company with limited liability in Germany with capital of only 1.00 euros.

In order to compensate the initial absence of capital the company has to retain a quarter of its annual profit until it has accumulated the minimum shareholder capital of an ordinary GmbH (which is 25,000 euros). The accumulated capital can then be converted into share capital and the Mini GmbH altered into a standard GmbH.

For uncomplicated standardized formation of a Mini GmbH model articles are provided. These articles must still be notarized, but for a reduced fee. Thus, establishment costs for a Mini GmbH are reduced to a total of around 300 euros.

Except for the abovementioned specific provisions the Mini GmbH - by terms of law - is generally subject to the same duties and rights as the standard GmbH.

Stock Corporation (AG)

CHARACTERISTICS

A stock corporation (*Aktiengesellschaft, AG*) generally enjoys a high market reputation among business partners. However, the founding formalities and costs of an AG are relatively high, and the AG is subject to extensive organizational obligations in day-to-day business. The AG is liable to corporate income tax, solidarity surcharge and trade tax.

FORMATION REQUIREMENTS

In principle, an AG can be established by any individual. Generally speaking, there are only two founding obligations to be observed. First, an AG must have a minimum share capital of 50,000 euros (which must be fully subscribed by the founding shareholders) and articles of association need to be certified by a notary.

Legal consultation is advisable for drawing up the articles of association. The German Bar Association (*Deutscher Anwaltverein e.V.*) provides a register of German lawyers.

German Bar Association (*Deutscher Anwaltverein*)
<http://anwaltverein.de>

APPOINTING THE MANAGEMENT

The founding shareholders appoint the first auditor (*Abschlussprüfer*) and supervisory board (*Aufsichtsrat*), which in turn appoints the first management board (*Vorstand*). The appointment of the first auditor and supervisory board must be notarized.

The founding shareholders must also prepare a formation report with the relevant details of the establishment of the AG. This report has to be scrutinized by the boards.

The AG is managed by its management board. Neither supervisory board nor shareholders can exercise direct influence on the management board.

REGISTRATION

The AG comes into existence upon registration in the commercial register (*Handelsregister*). The application must be signed by the founding shareholders, the members of the supervisory board, and the management board before a notary. In addition, an AG must be registered with the local trade office (*Gewerbe-/Ordnungsamt*).

CHARACTERISTICS

Partnership Limited by Shares (KGaA)

The partnership limited by shares (*Kommanditgesellschaft auf Aktien, KGaA*) combines the structures of a stock corporation (AG) and a limited partnership (*Kommanditgesellschaft*). It connects the entrepreneurial commitment and personal standing of the individually liable shareholders (general partners) with the function of the AG as a public company and source of capital. The KGaA can be described as a stock corporation having individually liable shareholders (general partners) instead of a management board.

The KGaA is not a frequently used legal form in Germany. It is liable to corporate income tax, solidarity surcharge and trade tax.

LIABILITY OF PARTNERS

The KGaA can have an unlimited number of capital investors (limited shareholders), whose liability is limited once they have paid their subscribed capital contribution. The minimum share capital of a KGaA is (in total) 50,000 euros. The limited shareholders have more or less the same legal rights as shareholders in an AG. At least one partner of the KGaA, the general partner, has to be liable for debts and liabilities of the KGaA without limitation.

REGISTRATION

The KGaA must be entered into the commercial register and registered with the local trade office.

Partnerships

FOUR DIFFERENT FORMS OF PARTNERSHIPS - QUICK FACTS

Legal/Establishment Form	Minimum Number of Partners	Minimum Share Capital	Legal Liability	Establishing Formalities
Civil Law Partnership (GbR)	Two partners	Not required	Personal unlimited liability	Very low
General Commercial Partnership (oHG)	Two partners	Not required	Personal unlimited liability	Low-moderate
Limited Partnership (KG)	Two partners: general partner and limited partner	Not required	General partner: personal unlimited liability Limited partner: limited share liability	Low-moderate
GmbH & Co. KG	Two partners: general partner (GmbH) and limited partner (the general partner is typically the limited partner of the KG)	Not required	General partner (GmbH): personal unlimited liability Limited partner: limited share liability	Moderate-high

FORMS OF PARTNERSHIPS

The main feature of a partnership is the personal commitment of the partners to their working efforts to the partnership. Any partnership requires at least two partners. There are four major forms of partnerships in Germany.

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

Their main difference lies in the liability of their partners and required registration obligations.

A partnership company (*Partnergengesellschaft* or *PartG*) is a form of partnership specifically designed for the joint exercising of professional freelance activities, such as architects. This company form is not further explained on the following pages. Please contact us if you have questions concerning the establishment of a partnership company.



MAIN CHARACTERISTICS

In contrast to corporations, partnerships are not independent legal entities but associations of people. In partnerships, the individual partners responsible for the liabilities of the company (including private assets) act for the company. Limitations of liability for individual partners are only possible to a limited extent.

No minimum share capital is required, and the accounting obligations and publication requirements are less extensive than those for corporations.

ESTABLISHMENT OF A PARTNERSHIP

Establishing a partnership is easy and can be completed in just a few steps. At least two partners are required to establish a company. A minimum share capital does not have to be raised. The management of the company can only be carried out by partners.

Depending on the type of partnership, entry in the commercial register (*Handelsregister*) is required. The application is signed by all partners and must be filed by a German notary in certified and electronic form with the commercial register. If a business activity is carried out by the partnership, the trade office (*Gewerbe-/Ordnungsamt*) must accordingly be notified.

TAXATION OF PARTNERSHIPS

The partnership itself is not taxed (as is the case with corporations), but the individual partners. The taxable profit is determined at the level of the company and allocated to the partners according to their shares. The partnership itself is only subject to trade tax.

The different kinds of partnerships differ primarily in terms of the contingent liabilities of the partners and the necessary registration obligations.

The average tax burden on companies is less than 30 percent. In some regions of Germany, due to a locally variable rate of trade tax, it is under 23 percent. The tax rate to which a partner of a partnership is subject can be optionally adjusted to the tax rate of corporations.

Civil Law Partnership (GbR)

A civil law partnership (*Gesellschaft bürgerlichen Rechts, GbR*) is defined as an association of individuals or enterprises united in the achievement of a joint contractual purpose. It is suitable for start-ups launching a business idea in cooperation with others.

Formation of a GbR is fairly uncomplicated. At least two partners must agree on the establishment of the GbR and conclude a partnership agreement. A written partnership agreement is recommended, but is not compulsory. The partners are jointly liable with their private assets for debts incurred by the company. If the GbR conducts trade in the form of a small trade business, it has to register with the local trade office. It must not be entered into the commercial register.

A GbR is only allowed to conduct “small trade business.” As soon as it achieves an annual turnover of over 250,000 euros and a profit over 25,000 euros it is deemed to be a commercial business and must be entered in the commercial register upon which it automatically becomes a general commercial partnership (*Offene Handelsgesellschaft, oHG*).

General Commercial Partnership (oHG)

The general commercial partnership (*Offene Handelsgesellschaft, oHG*) is the classic partnership form for small and medium-sized enterprises (SMEs). Its structure corresponds to the civil partnership (*GbR*). Every *GbR* that runs a commercial enterprise (a business enterprise of a type or size requiring business operations to be set up in a commercial manner) automatically qualifies as an oHG. Accounting regulations for an oHG are stricter than those for a *GbR*.

In order to establish an oHG, two or more partners must conclude a partnership agreement. It is advisable for the partnership agreement to be made in writing. All partners are jointly and severally liable for the oHG's debts and liabilities.

The oHG must be entered in the commercial register and registered with the local trade office. The application to the commercial register must be made by all partners and be certified and filed by a notary. The total expenses for registration vary, but generally a cost of approximately 400 euros can be expected.

Limited Partnership (KG)

The limited partnership (*Kommanditgesellschaft, KG*) is a legal form related to the oHG, but with the option of limiting the liability of some of the partners. This legal form is suitable for medium-sized enterprises (SMEs) seeking additional start-up capital but wishing to limit individual responsibility.

At least one partner, the general partner (*Komplementär*), is personally liable without limitation. The liability of the limited partners (*Kommanditisten*) is limited to their respective share of the partnership capital. A KG offers greater flexibility compared to other forms of partnerships as the capital base can be increased by including additional limited partners.

A KG is established when a partnership agreement between two or more partners (including at least one limited and one unlimited partner) is concluded. It is advisable for the partnership agreement to be made in writing. The liability of the limited partner will only become limited once the registration of the KG and the subscribed partnership contribution has been entered in the commercial register (which is obligatory).

The application to the commercial register must be made by all partners and be certified and filed by a notary. The total costs for registration vary, but 400 euros can be used as a general guideline. A KG must then be registered with the local trade office.

GmbH & Co. KG

The GmbH & Co. KG is a limited partnership (KG) in which the general partner (*Komplementär*) is a limited liability company (*GmbH*). The GmbH is fully liable for the GmbH & Co. KG's debts and liabilities. The liability of the limited partners (*Kommanditisten*) is limited to their respective share of the partnership capital.

This hybrid form is suitable for entrepreneurs wishing to limit their liability while enjoying the flexibility of a non-incorporated business. Because of its flexibility, the legal form GmbH & Co. KG is especially appropriate for medium-sized businesses and family companies.

The GmbH & Co.KG is established through conclusion of a partnership agreement between the general partner and the limited partners (advisably in writing). Typically, the shareholders of the general partner (*GmbH*) are identical to the limited partners of the KG.

In line with the registration formalities of the KG, the GmbH & Co KG must be entered in the commercial register and registered with the local trade office. The liability of the limited partner will become limited once the KG and the subscribed partnership contribution are registered in the commercial register.

The application to the commercial register must be made by all partners and be certified and submitted by a notary. The total costs for registration vary, but 400 euros can be used as a guideline value.

Branch Offices

TWO DIFFERENT FORMS OF BRANCH OFFICES - QUICK FACTS

Legal/Establishment Form	Legal Liability	Minimum Capital	Number of Persons Required	Establishing Fomalities
Autonomous Branch Office (<i>Selbständige Zweigniederlassung</i>)	Subject to the head office legal company form	None required	Minimum one person	Moderate
Dependent Branch Office (<i>Unselbständige Zweigniederlassung</i>)	Subject to the head office legal company form	None required	Minimum one person	Very low

Any foreign company with a head office and registered business operations outside of Germany can establish a German branch office. A branch office is a suitable business form for a foreign company wanting to establish a presence in Germany for the purpose of initiating business and maintaining contacts with business partners.

In Germany, there are two kinds of branch establishments which primarily differ due to the degree of the independence from the head office company.

- Autonomous Branch Office
- Dependent Branch Office



MAIN CHARACTERISTICS

A branch office has no independent or separate legal personality distinct from the head office itself. In legal and organizational terms, it is part of the head office business and is thus subject to the law governing the head office. In this context, the foreign head office company is fully liable to the extent of its own assets for any claims creditors might assert against the branch office. Any obligations or debts incurred by the branch office are also legal responsibility of the foreign company.

TAXATION OF BRANCH OFFICES

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

A German permanent establishment of a foreign corporation is taxed in Germany according to German taxation rules for corporations (corporate income tax, solidarity surcharge and municipal trade tax).

CHARACTERISTICS

Autonomous Branch Office

The autonomous branch office (*selbständige Zweigniederlassung*) fulfills tasks that exceed mere implementation and support-related tasks. It is dependent upon the head office company at the internal level but engages in business activities independently. The relationships with the customer are subject to German law. However, the foreign head office company is liable for the business transactions concluded by the branch.

At the organizational level, autonomous branch offices are to a certain extent independent from the parent company and usually have the following attributes:

- Management with freedom to act according to their own judgement (i.e. with full power of attorney and power to contract)
- Own capital resources and bank account
- Separate accounting

An autonomous branch office can use its own name affix but the company name of the head office must also appear including its legal designation (for example: XY Ltd., branch office, Berlin).

SETTING UP AN AUTONOMOUS BRANCH OFFICE

Foreign companies can set up an autonomous branch office in Germany if they are entered in a foreign commercial register (or a comparable directory).

The decision to establish a branch office must be made by the managing directors of the head office. The autonomous branch office must be entered in the commercial register and registered with the local trade office.

REGISTERING IN THE COMMERCIAL REGISTER

The application for registration in the commercial register must include detailed information on the foreign company and generally be accompanied by a notarized copy of an excerpt of the commercial register showing the existence of the foreign company and the power of representation of the managing director(s) and the management board as well as from memorandum and articles of association. All documents should be in German certified translation and the notary's certificate must be authenticated.



Due to the harmonized EC Law, the documentation effort for European companies is fairly modest. For non-European companies it can be extensive, the exact details depending on the foreign company's residence. The application must be certified and submitted by a notary.

TRADE OFFICE REGISTRATION

The autonomous branch office must be registered in the trade office before business operations are started. A business license or permit is generally not necessary for registering the business. Only for some business sectors, a permit or authorization may be required. Trade office registration must be submitted on commencement of business at the latest.

Dependent Branch Office

A dependent branch office (*unselbständige Zweigniederlassung*) is a subordinate department of the head office company and does not have any autonomy from it. It focuses on maintaining contacts and initiating business in Germany.

The dependent branch office is not able to independently participate in the general business transactions of the head office. It performs support and implementation-related tasks without having any individual business discretion and is entirely dependent on the head office.

Invoices have to be made out in the name of the head office company. An individual company name cannot be used.

REGISTRATION OF THE DEPENDENT BRANCH OFFICE

As a dependent branch office displays no autonomy vis-à-vis the head office of the company, it is not entered in the commercial register. The only formal requirement for a dependent branch office is registration with the local trade office, for which certain documentation on the foreign company is also necessary.

Other Forms

Offices that purely serve to observe the market and pave the way for initial customer contacts are often described as "representative offices." However, this term does not exist in German commercial law.

Once an office is used by a foreign company for commercial activities (thus forming part of the foreign company organization), it generally must be registered at least as a dependent branch office in Germany. This is typically the case if the foreign company has a permanent representative who conducts the commercial activities of the company in a sustained manner and, in doing so, is subject to its instruction.

An office managed by a self-employed third party (e.g. a commercial agent authorized by the company) might be considered a case in which no independent business activity is conducted on behalf of the foreign company. In this case, registration of the foreign company with the local trade office is generally not required. Decisive here is the actual level of independence of the agent and their freedom to act without instruction from the company.

Business Registration

Entry in the Commercial Register

In the establishment phase of a company - and prior to assumption of commercial activities - a company only has to be registered in the public commercial register (*Handelsregister*) and the local trade office (*Gewerbe-/Ordnungsamt*). The registration creates transparency and also offers companies the highest level of security in their day-to-day business activities.

The commercial register (*Handelsregister*) provides information about all relevant relationships between merchants and commercial companies. The information is public and can be viewed by other companies.

The commercial register contains information about:

- The company of the business
- The name of the partner(s) and/or the personally liable partner(s)
- The managing director or the executive of corporations
- The capital stock of companies
- Liability limitations of partners
- The issuing and revoking of the power of attorney
- The opening of insolvency proceedings
- The dissolving and ending of a company

COMPANIES REQUIRED TO REGISTER

Companies required to register are those which carry out a commercial business operation. This is determined by criteria such as the use of commercial accounting, annual turnover, capital resources and total number of employees. As a rule, all status relevant actions of companies are subject to registration.

Small businesses, civil partnerships (*GbRs*), freelancers and dependent branch offices do not have to be registered in the commercial register.

REGISTRATION PROCEDURE

The application for registration in the commercial register is electronically filed in publicly certified form by a notary to the responsible commercial register.

As a rule, with types of company in which the entry in the commercial register is part of the act of establishment, the possible limitation of liability of the partner(s) is only effective subsequent to the time of the entry in the commercial register. If business is carried out prior to this point in time, partners can be liable for any losses of the company with their private assets (especially the case with corporations).



REGISTRATION COSTS

The total cost of entry in the commercial register varies depending on the type of company. Costs incurred are made up of costs of the notarial certification and the fees charged by the district court for entry and publication in the Federal Gazette (*Bundesanzeiger*).

The cost for registration and publication in the commercial register for a partnership is currently 250 euros minimum. For a GmbH, this amount is at least 400 euros, and for an AG at least 500 euros. Additional costs are incurred through the use of a notary.

The costs and fees are not levied on an arbitrary basis but are regulated by law. They largely depend on the number of partners and the share capital. Further costs can be incurred by the provision of additional legal advice.

The Federal Chamber of German Civil Law Notaries (*Bundesnotarkammer*) provides information about the exact composition and level of notary costs on its internet site. Here, companies can also find a German notary.

Federal Chamber of German Civil Law Notaries (*Bundesnotarkammer*)
www.bnotk.de

COMMERCIAL REGISTER DISPLAY

The commercial register is managed by the district court where it is open to public view at no cost. In addition to this, the register can also be consulted online through the common register portal of the German federal states (*Gemeinsames Registerportal der Länder*).

Common Register Portal of the German Federal States
www.handelsregister.de

Some of the company data which is stored in the commercial register is also available electronically through the commercial register of the Federal Gazette (*Bundesanzeiger*).

Company Register
www.unternehmensregister.de

Trade Office Registration

Before starting their business operations, every business operator must inform the trades (or regulatory) office (*Gewerbe-/Ordnungsamt*) of the town or local district in which the business operation is located. This applies to every company regardless of its company form (except freelance professionals).

A business license or permit is not necessary for registering the business in the majority of cases. In some sectors, a permit or authorization might be required (e.g. pharmacies, property developers, estate agents, brokers, security firms, pubs and hotels or banks).

REGISTRATION PROCEDURE

The registration of a business activity that does not require a license or permit costs between 20 euros and 40 euros. Additional costs apply for companies that require a business license. Costs are depending on the sector the business is operating in. For the independent, non-industrial operation of certain trades (e.g. bakers, carpenters or precision makers) entry in the Register of Craftsmen (*Handwerksrolle*) is also required. The trades that are affected are listed in the Crafts and Trades Regulation Code (*Handwerksordnung*) where they can be consulted.

AUTOMATIC FORWARDING

The trade office automatically sends a copy of the business registration to the responsible tax office (*Finanzamt*). This then sends a registration form to the company for tax registration purposes. In addition to this, it also sends the registration to the other relevant institutions such as the respective Employer's Liability Insurance Association (*Berufsgenossenschaft*), the corresponding Chamber of Industry and Commerce (*IHK*) and, if required, the Chamber of Crafts (*Handwerkskammer*).

Chambers of Industry and Commerce (IHKs) and Chambers of Crafts

In Germany, the Chambers of Industry and Commerce (*IHKs*) and the Chambers of Crafts (*Handwerkskammern*) function as the local interest groups of business operators in a specific region. At the same time the chambers realize more than just the general functions of professional associations for their members. They also:

- Carry out active lobbying work by representing the interests of the company towards municipalities, state, and federal government;
- Organize vocational training by defining the framework requirements and approving interim and final examinations;
- Draw up certificates concerning, for example, admissible company names.

In addition to this, the IHKs also provide information about the local economic framework conditions in a region and provide foreign companies with business contacts to possible regional partners. All IHK members are also able to draw on the comprehensive advice and services of the responsible chamber. The chambers are generally the first point of contact in the event of day-to-day business problems.

Membership of the IHK or Chamber of Crafts is obligatory and occurs automatically on registration in the trade office without requiring special registration. The costs of membership of the chamber depend on turnover of the respective company.



The umbrella association of the German Chamber of Industry and Commerce, the DIHK (*Deutscher Industrie- und Handelskammertag*), offers an overview of all of the regionally responsible chambers on its website.

The German Chambers of Industry and Commerce IHK Finder
www.dihk.de

Transferring Assets

The Bank Account

It is advisable that anyone who runs a business in Germany also has a bank in Germany to quickly organize day-to-day business activities. Almost all large international banks have offices in Germany and it is also easy to have foreign currency accounts.

To open a private bank account you generally must have a valid passport and written confirmation that Germany is your current place of residence from the local Public Office (*Bürgeramt*). For a company bank account, the requirements depend on the legal form of the company. In addition to a valid passport you will generally need an excerpt from the commercial register and the articles of association of the company.

Capital

Capital can be moved in and out of Germany without any restrictions. However, amounts over 12,500 euros, or equivalent payments with valuables, must be reported to the German Central Bank (*Bundesbank*). These reports are for statistical purposes only. Forms can be obtained from the Bundesbank.

Reporting obligations for money transfers from abroad depend on the place of residence of the recipient/addresser: nationality is irrelevant. A person or company with a place of residence or business in Germany must report incoming and outgoing payments from abroad for all transactions over 12,500 euros. Alternately, an investor with a place of residence abroad does not have to register a capital transfer to an account in Germany (even if the investor is the account holder).

Payments for the import or export of goods and details in connection with the granting, taking out, or repayment of loans with an originally agreed term of less than twelve months do not have to be reported. For statistical purposes, every person living in Germany and every company located there must also inform the Bundesbank of the ownership of securities or deposit accounts abroad.

Receivables or liabilities from companies (for example, banks) or private individuals abroad must be reported to the Bundesbank if they amount to more than five million euros or equivalent.

For bank account deposits of more than 15,000 euros cash, banks are required to check the identity of the depositor in order to prevent money laundering.

Goods and Machinery

Goods and machinery can circulate freely within the EU. Customs, import turnover tax (*Einfuhrumsatzsteuer*), and in some cases, special excise taxes are charged for imports to Germany from non-EU states. The customs payable can be determined online using the TARIC (*Integrated Tariff of the European Communities*) system. Customs are not charged on investment goods if business operations have been transferred in full to Germany. For more information, please refer to the section on customs in chapter four.

TARIC-System (Integrated Tariff of the European Communities)
<http://ec.europa.eu>

Household objects can also be imported into Germany freely if the owner moves place of residence from abroad to Germany. A customs exemption of this kind must be applied for in writing beforehand.



3 Incentive Programs

Incentives at a Glance

R&D Incentives

Labor Related Incentives

Public Loans

Public Guarantees

Germany offers numerous incentives for foreign investors. There is a variety of programs available, designed to fit the needs of economic activities at different stages of the investment process. Support ranges from cash incentives to labor-related and R&D incentives. Find out how your investment project can benefit from public funding.

Incentives at a Glance

Incentives Programs in Germany

Germany offers numerous incentives to all investors - regardless of whether they are from Germany or not. There are a number of incentives programs available which can be grouped into two overall packages: the investment incentives package which includes different measures and programs to reimburse investment costs; and the operational incentives package containing programs to subsidize costs once the location-based investment has been realized.

1. The Investment Incentives Package with

- Cash Incentive Programs
- Public Loan Programs
- Public Guarantee Programs

2. The Operational Incentives Package with

- Labor-related Incentive Programs
- R&D Incentive Programs

Providing Funds

Funds are provided by the German government, the individual federal states, and the European Union (EU). These are predominantly aimed at new investments geared towards fostering economic growth.

Germany has 26.3 billion euros funding provided by the EU (co-financed using means obtained from German national and regional budgets) at its disposal until the end of 2013. In addition, Germany and its individual states make their own incentives funds available.

Determining Eligibility

Each incentives program defines industries as well as forms of investments (e.g. green-field projects or expansions) eligible for funding. Foreign investors are subject to exactly the same conditions available to German investors.

Each program has a set of criteria (such as company size, planned investment project location, etc.) which determine individual investment project incentive levels.

EU Criteria Determining Company Size

Company size is generally determined according to an EU-wide classification system in which companies are categorized as being small, medium-sized or large according to their employee numbers, annual turnover and/or annual balance sheet total.

The size of a company is an important criteria to determine the possible incentives level a company may receive. Most incentives programs offer the highest incentives rates to small and medium-sized enterprises (SMEs). Some programs may even specifically target SMEs (this is very often the case with R&D programs).

Enterprise Category	Staff Headcount	Annual Turnover		Annual Balance Sheet Total
Small Enterprise (SE)	< 50	≤ EUR 10 million	or	≤ EUR 10 million
Medium-Sized Enterprise (ME)	< 250	≤ EUR 50 million	or	≤ EUR 43 million
Large Enterprise (LE)	≥ 250	> EUR 50 million	or	> EUR 43 million

The criterion concerning the headcount is compulsory. In addition, either of the annual turnover or the balance sheet criteria must also apply. Please refer to the explanation of the European Commission for more information.

SME Definition of the European Commission
<http://ec.europa.eu>

Regional Economic Development Program North Rhine-Westphalia

In addition to the development programs of the EU and the German government, North Rhine-Westphalia has established its own investment incentives for the creation and securing of long-term jobs and training positions in the structurally weak regions of the state with its Regional Economic Development Program (RWP). The RWP grants are intended for industrial investments which create or secure jobs.

Promotion is provided primarily for supraregionally operating companies: Small and medium-sized enterprises (SMEs) are subsidized provided that

- they have fewer than 250 employees,
- their annual sales do not exceed 50 million euros or their balance sheet total is not more than 43 million euros, and
- they do not exceed these limits by including participations or partnerships (EU checking procedure),
- and large enterprises managed along SME lines.

The development areas include large parts of the Ruhr region, Mönchengladbach and the districts of Heinsberg, Herford, Höxter and Lippe.

The companies receive grants up to 25 percent of the investment sum. The maximum invested amount eligible for subsidy per newly created jobs is 120,000 euros (per secured job 90,000 euros).



Applications should be submitted to NRW.INVEST or NRW.BANK.

CONTACTS

NRW.INVEST GmbH

Economic Development Agency
of the German State of North Rhine-Westphalia
Völklinger Str. 4, 40219 Düsseldorf, Germany
Phone: +49 211 13000-0
Fax: +49 211 13000-154
E-Mail: nrw@nrwinvest.com

NRW.BANK

Advice Center Rhineland
Kavalleriestraße 22, 40213 Düsseldorf, Germany
Phone: +49 211 917414800
Fax: +49 211 917417832

Branch Office of NRW.BANK in Münster

Advice Center Westphalia
Friedrichstraße 1, 48145 Münster, Germany
Phone: +49 251 9174010
Fax: +49 251 9174012921
www.nrwbank.de

R&D Incentives

Different Types of R&D Incentives

R&D projects can count on numerous forms of financial support. There are many programs allocating R&D grants, interest-reduced loans, and special partnership programs. Financing is provided by the European Union (EU), the German government, and the individual German states.

- R&D Grants in Germany
- EU R&D Grants
- Further Subsidy Options

Research and development (R&D) is considered to be among the most important areas for the development of the German economy. Industry and the public sector have made a commitment to spend around three percent of national GDP per year on R&D activities. This amounts to approximately 70 billion euros R&D spending each year.

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

How to Profit from Public R&D Spending

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

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

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

Research Categories

There are three basic research categories:

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

THE HIGH-TECH STRATEGY

R&D Grants in Germany

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

The High-Tech Strategy defines specific lead markets and priorities as well as key technologies with a high dependency on ongoing high-tech research and development - each of these consists of a number of different R&D programs.

Germany's High-Tech Strategy
www.bmbf.de

BUDGETS AND RESEARCH
SECTORS

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

APPLICATION PROCESS

The federal government periodically calls for R&D project proposals for specific research topics followed by a competition of best project ideas. Germany Trade & Invest's incentives experts regularly update and define the specific support possibilities for R&D projects in the scope of the High-Tech Strategy.

FOCUS: SME PARTICIPATION

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

KMU-innovativ
www.foerderinfo.bund.de

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

Central Innovation Programm for SMEs (ZIM)
www.foerderinfo.bund.de

GERMAN FEDERAL STATE FUNDING

In addition to programs run by the federal government, each German state has R&D grant programs - generally targeted at SMEs - in place. Some states put particular focus on specific industry clusters but programs without specific technological focus also exist. Cooperation between project partners is not always necessary.

THE 7TH RESEARCH FRAMEWORK PROGRAM

EU R&D Grants

The European Union (EU) offers support to R&D projects in form of its 7th Research Framework Program (FP7). Support is allocated in the form of grants covering up to 75 percent of project expenditures for small and medium-sized enterprises (SMEs). FP7 will run until the end of 2013.

AVAILABLE BUDGET

FP7 is the world largest research funding program with a total budget of more than 50 billion euros. FP7 support is usually provided to R&D projects operating on a transnational level with different project partners.

APPLICATION PROCEDURE

Applications are submitted in the form of a proposal by all transnational project partners (so-called "Consortium"). The EU usually issues a call for proposals announcing the research area, eligibility guidelines, and the available budget.

Seventh Research Framework Program (FP7)

<http://cordis.europa.eu>

PUBLIC R&D LOAN PROGRAMS

Further Subsidy Options

R&D loans can be an alternative to R&D grants and entail several specific advantages: they are not usually attached to a specific technology field, application is possible at all times (no deadlines), and they can cover higher project costs.

R&D loans are provided by different governmental programs. For instance, the ERP Innovation Program offers 100 percent financing of eligible R&D project costs up to five million euros.

PUBLIC PARTNERSHIP PROGRAMS

Public (silent) partnerships are offered by both, the KfW Banking Group and state-owned venture capital companies to technically oriented companies. Direct shareholding by a public investment company is also possible. Conditions are negotiated on a case-by-case basis.

KfW Bankengruppe

www.kfw.de



Labor-Related Incentives

Four Main Groups of Labor-Related Incentive Programs

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

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

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

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

Matching Personnel: Recruitment Support

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

Assistance provided covers everything from job vacancy advertising and preselection of candidates (i.e. assessment centers) to the provision of facilities for holding job interviews. Because the job centers are governmental institutions, all services are provided entirely free of charge.

Enhancing Qualification Measures: Training Support

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

Supporting Integration: Wage Subsidies

Wage subsidies aim at helping job seekers experiencing difficulties securing work (e.g. as a result of long-term unemployment). Employers can be granted a direct cash payment paid as a proportion of the employee's wage. Grants can account for up to 50 percent of wage costs including social benefits. They may be granted for a period of up to twelve months.

When hiring long-term unemployed people who have disabilities or who are older, wage subsidies can be raised to a maximum 70 percent of wage costs paid for a period of up to 96 months.

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

Advancing Professional Development: On-The-Job-Training

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

Public Loans

About Public Loans

Investors can access publicly subsidized loan programs in Germany. These programs usually offer loans at below current market value interest rates in combination with attractive grace periods. These loans are provided by so-called development banks: publicly owned and organized banks which exist at the national and state level.

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

Investors profit from interest-reduced loans as they are a means of acquiring capital in a cost effective way during the investment phase, thus easing financial long-term planning. Small and medium-sized enterprises (SMEs) in particular can profit from interest-reduced loans.

Loan Programs of the European Investment Bank (EIB)

At the European level, the European Investment Bank (EIB) finances investment projects in cooperation with private banks. The EIB provides loans below general market conditions, offers long-term repayment periods, and is a host of other favorable conditions. It specializes in large investment projects.

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

- Economics
- Technology
- Environment
- Finance



The EIB only finances projects contributing to the EU's general economic policy objectives - enhancing the development and integration of economically weaker regions and building up the general structure of the EU as a business location. The EIB acts as a financial partner until the investment project is completed. Loans are granted to projects in both the public and private sectors. EIB loan programs are open to large enterprises as well as SMEs. As a rule, the EIB lends up to 50 percent of investment project costs.

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

EIB Loan Programs for Investment Projects

www.eib.org

Public Loan Programs on National Level

The KfW Bankengruppe is the nationally operating development bank of the Federal Republic of Germany. It makes available a number of different financing tools such as promotional loan programs, mezzanine financing, and private equity.

The KfW is organized into different departments - each specialized according to different target groups and available financing tools.

The KfW offers a number of loan programs for investment projects. The Entrepreneur Loan (*Unternehmerkredit*) is the most important one. Please read about program details here.

KfW Entrepreneur Loan (*Unternehmerkredit*)

www.kfw.de

The KfW is contacted via the applicant's private bank which normally complements its own financial package using the range of KfW financing tools available. Investors should have a German bank or a subsidiary of their domestic bank in Germany to ease the KfW loan application process.

State Development Bank Loan Programs

In addition to the KfW, each German state has its own development bank financing projects within the respective state. They offer own loan programs, especially targeted at start-ups and growing companies.

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

Loans are collateralized with the usual securities. Applications are made through the investor's private bank to the respective state development bank. Interest-reduced loans may constitute a subsidy and can usually be combined with other public funding. Please be aware, that the total amount of cash incentives available may be reduced when combined with other programs.

Public Guarantees

Why Using Public Guarantees

New companies often experience difficulties securing financing through the capital markets as, frequently, the required loans can only be collateralized to an insufficient degree. In these cases – with economically appropriate projects – public guarantees can replace or supplement any shortfall in securities.

How Public Guarantees Work

A public guarantee is a financial instrument that encourages financial institutions, i.e. commercial banks but also public banks, to offer loans to new companies. Guarantee programs are specially designed to help entrepreneurs obtain bank financing by dealing with the collateral constraint. However, guarantees do not provide cash support or any kind of credit.

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

Different Public Guarantee Programs

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

Generally speaking, public guarantees are accessible for financing of an investment project or for working capital loans.

The maturity is generally 15 years, or eight years for working capital loans. Commitments vouched for within public guarantees are normally subject to intensive individual examination by external assessors. Guarantee fees are paid annually.

The fee paid is a percentage of the actual guaranteed amount at the beginning of the year concerned. This is fixed over the whole duration of the loan.

Types and Conditions of Public Guarantees

	Public guarantees issued by individual state governments	Public guarantees issued by state government + federal government
General conditions	<ul style="list-style-type: none"> Available throughout Germany <p>Companies which do not have the securities demanded by the bank can apply for public guarantees.</p>	<ul style="list-style-type: none"> Available in Eastern Germany and in parts of Berlin
Amount guaranteed for	<ul style="list-style-type: none"> Up to EUR ten million <p>Guarantees cover up to 80 percent of the loan amount.</p>	<ul style="list-style-type: none"> Over EUR ten million
Application process	<ul style="list-style-type: none"> Before investment starts, application has to be submitted to state mandatary (normally the respective state development bank) via investor's commercial bank. State guarantee committee deliberates on application and submits a recommendation. Finally, state Minister of Finance decides on allocation. 	<ul style="list-style-type: none"> Before investment starts, application has to be submitted to PWC as federal mandatary via investor's commercial bank. Guarantee committee level fits close analysis on application. Finally, approval is given by the federal authorities in cooperation with the respective state. Concurrent EU authority notification necessary.

NRW.BANK Development Programs

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

NRW.BANK Start-Up Loan: Business founders can be supported with loans ranging from 25,000 to ten million euros. The financing portion may amount to up to 100 percent of the eligible investment costs or working capital. The acquisition of land and buildings as well as furniture and fixtures and the takeover of existing SMEs are also eligible for funding. The NRW.BANK start-up loan is offered with terms of five, ten or twenty years. The start-up loan includes an optional indemnity bond from the Bürgschaftsbank NRW, for which business founders may apply as part of a standardized process.

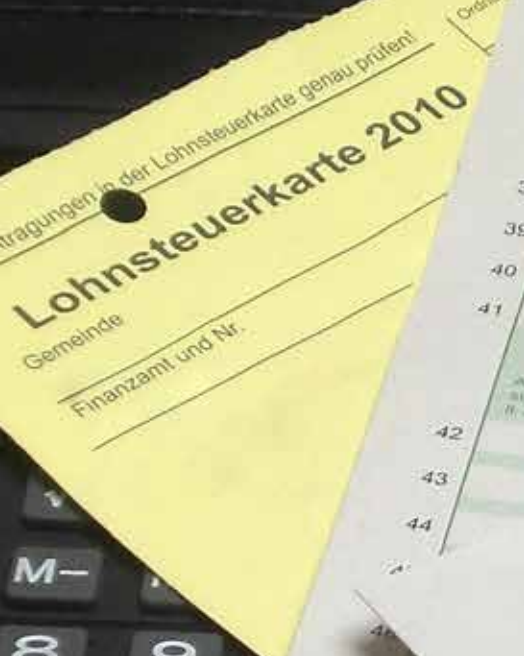
NRW.BANK SME Loan: This is a low-interest loan from NRW.BANK to finance small and medium-sized enterprises, and independent professionals. The NRW.BANK SME Loan is available as both an investment loan and a working capital loan. The amount of the loan can range from 25,000 to ten million euros. This promotion program is offered jointly by NRW.BANK and KfW.

NRW.BANK

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40213 Düsseldorf, Germany
Phone: +49 211 91741 - 4800
Fax: +49 211 91741 - 7832

Branch Office of NRW.BANK in Münster

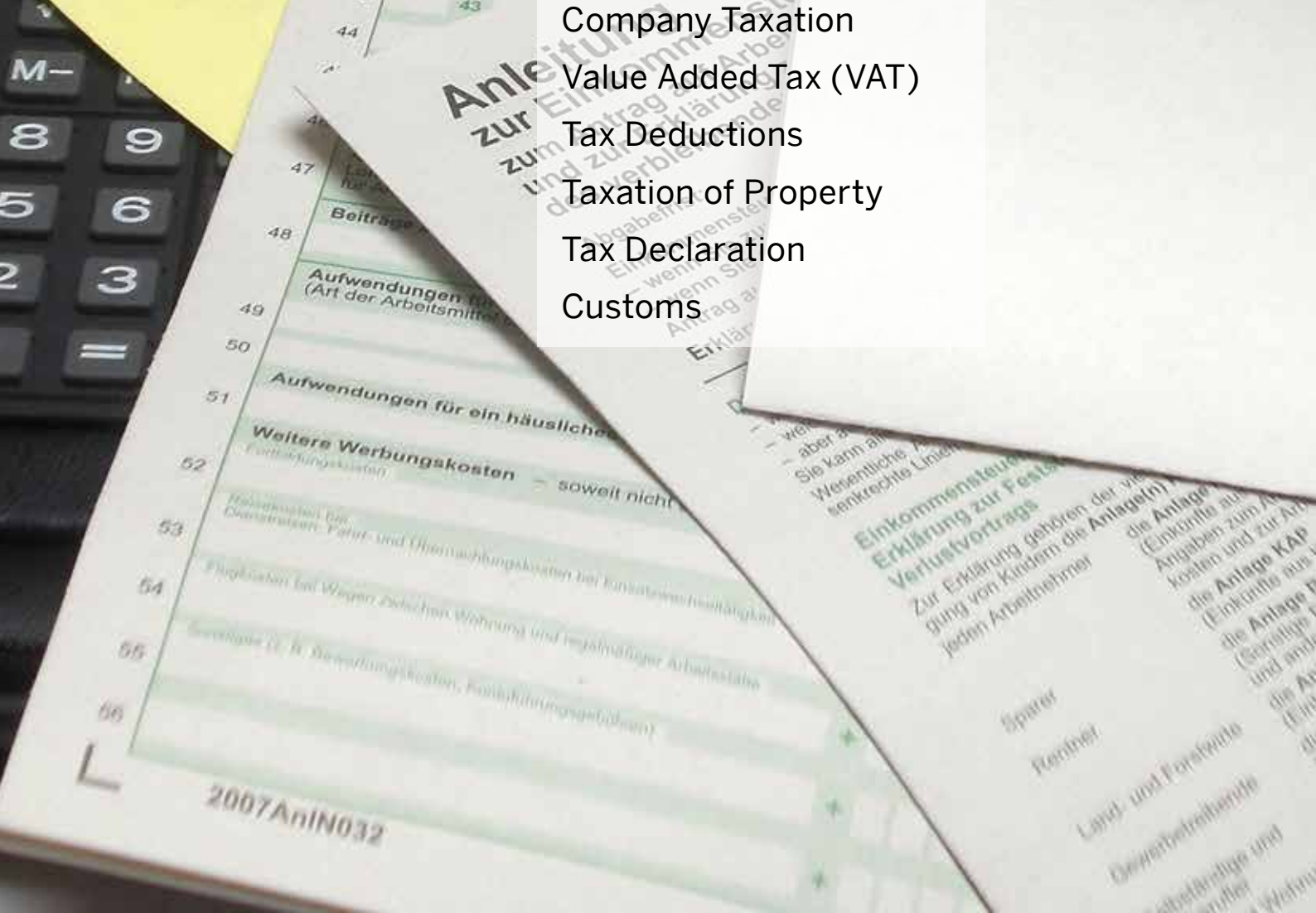
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www.nrwbank.de



Form titled 'Ergänzende Angaben zu den Vorsorgeaufwendungen' (Supplementary information on provision expenses) with numbered sections 31-41 and 42-46. It includes sections for 'Werbungskosten' (Advertising expenses) and 'Anleitung zur Einkommensteuer' (Instructions for income tax).

4 The Tax System

- Company Taxation
- Value Added Tax (VAT)
- Tax Deductions
- Taxation of Property
- Tax Declaration
- Customs



Germany offers a competitive system of company taxation. The average tax burden on companies is less than 30 percent. In some regions, due to a locally variable rate of trade tax, it is under 23 percent. This means that company taxation in Germany is clearly competitive in comparison with other leading industrial nations. Read more in the following chapters.

Company Taxation

Germany does not have a consistent nationwide tax rate for companies. For corporations, the average overall tax burden is just below 30 percent, with certain local municipalities offering significantly lower rates still. Hence, Germany offers one of the most competitive tax systems of the big industrialized countries.

Components of Company Taxation

Companies are usually taxed on two levels:

1. Corporations - such as the limited liability company (*GmbH*) or the stock corporation (*AG*) - are subject to corporate income tax (*Körperschaftsteuer*), whereas partnerships are subject to personal income tax (*Einkommenssteuer*). Both taxes are levied by the federal government.

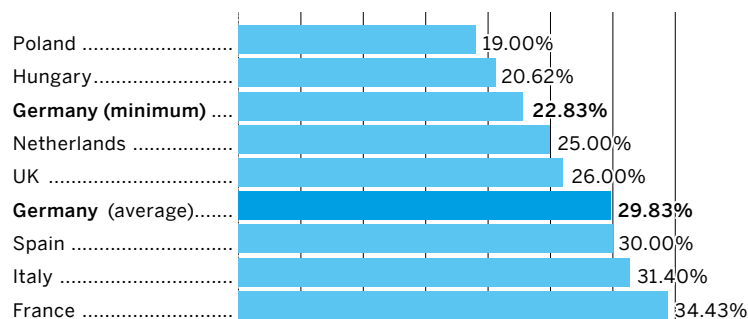
- Corporate Income Tax for Corporations
- Personal Income Tax for Partnerships

2. All business operations - corporations and partnerships alike - are subject to the trade tax (*Gewerbesteuer*), which is imposed by local municipalities (i.e. the town or city where the company is based).

- Trade Tax for all business operations

As a result of the fixed and variable components, the overall tax burden can differ by up to ten percent between locations.

AVERAGE CORPORATE TAX
BURDEN OF SELECTED
COUNTRIES 2010 (IN PERCENT)



COMPANIES LIABLE TO
CORPORATE INCOMETAX

Corporate Income Tax for Corporations

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

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

CORPORATE INCOME TAX BASE

Taxable income (i.e. annual business profit) forms the tax base for corporate income tax. Under German commercial law, corporate company annual profit is calculated according to the accrual basis accounting method. This is recorded in the annual financial statement and forms the basis for determining taxable income.

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

CORPORATE INCOME TAX RATE

Corporate income tax is levied as a flat nationwide tax at a rate of 15 percent of taxable corporate income.

In addition a solidarity surcharge (*Solidaritätszuschlag*) is added on top of the corporate income tax. The solidarity surcharge was introduced in 1995 to finance German reunification. The surcharge is 5.5 percent of the 15 percent corporate income tax; creating a total of 0.825 percent of taxable income.

Thus, corporate income tax and solidarity surcharge add up to a total of 15.825 percent.

TAXATION OF DIVIDENDS

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

In the event of the existence of a double taxation agreement (DTA) between the Federal Republic of Germany and another country, the rate of withholding tax that is paid can be reimbursed according to the agreements made in the corresponding DTA.

As a rule, dividend payments on the basis of a DTA are taxed at a reduced rate of taxation at levels of just 5, 10 or 15 percent. At a partial level there is also the possibility of an initial exemption from withholding tax.

The withholding tax paid in Germany can also be credited against the tax liability of the parent company which exists abroad or the parent company is made exempt from the taxation in regard to the received dividends. In effect, this means that no double taxation takes place.



As a rule, two fifth of the withholding tax paid can be reimbursed if the creditor of the dividend-paying German corporation is a foreign corporation and if there is no DTA between Germany and the foreign nation.

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

PRIVATE STOCK-HOLDERS

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

COMPANIES LIABLE TO PERSONAL INCOME TAX

Personal Income Tax for Partnerships

Partnerships such as the civil law partnership (*GbR*), the general commercial partnership (*oHG*) or the limited partnership (*KG*) are not separate legal entities but associations of partners, with the partners themselves generally being subject to all rights and obligations. Accordingly, partnerships are not subject to corporate income tax (*Körperschaftsteuer*) but to personal income tax (*Einkommenssteuer*), with the individual tax rate applicable to each shareholder.

PERSONAL INCOME TAX RATES

The personal income tax rate starts at:

- 14 percent for an annual income exceeding the tax-free allowance of 8,130 euros.
- It rises progressively to a maximum personal income tax rate of 42 percent which is applicable to annual income of 52,882 euros or more.
- An increased tax rate of 45 percent applies to every euro in excess of earnings of 250,731 euros per year.

These tax rates also apply for personal income tax for employees.

SOLIDARITY SURCHARGE

As with corporate income tax, the solidarity surcharge is also added to personal income tax. Accordingly, the solidarity surcharge is 5.5 percent of the individual personal income tax rate of every partner. If a partner has an individual income tax rate of 30 percent, the combined personal income tax + solidarity surcharge burden on the partner's share in the profits would add up to 31.65 percent.

HARMONIZING CORPORATION AND PARTNERSHIP TAX RATES

Generally, distributed and retained earnings of partnerships are subject to personal income tax with progressively rising tax rates. In order to reduce the tax burden for partnerships (making it similar to the tax burden of corporations), the reform of company taxation introduced two options:

- To avoid a progressively rising personal income tax rate, partnerships can apply for a flat taxation rate of 28.25 percent plus solidarity surcharge on retained earnings - leading to a flat taxation rate of 29.8 percent equaling the tax burden for corporations. (If retained earnings (taxed according to flat taxation) are distributed to partners at a later date, the distributed earnings are, under certain conditions, subject to a subsequent taxation rate of 25 percent.)
- Trade tax payments for both distributed and retained earnings can be offset against personal income tax. Please refer to our chapter on trade tax for more information.

Trade Tax

COMPANIES LIABLE TO TRADE TAX

All commercial business operations in Germany are liable to pay trade tax (*Gewerbesteuer*) irrespective of their legal form.

The trade tax is set by local authorities which means it can vary from one municipality to the next. However, trade tax is generally the same rate for all businesses within one municipality. Trade tax in Germany is currently set at between 7 and 17 percent.

DETERMINING THE TRADE TAX RATE

The corresponding rate of trade tax depends on two components:

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

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

The multiplier is set by each municipality. On average, it is between 350 and 400 percent but may not total less than 200 percent. There is no upper limit for the municipal multiplier. It is generally higher in urban areas than it is in rural areas, although it does currently not total more than 490 percent in any of the large cities.

Example

- Company A with annual taxable earnings of EUR 1,000,000 is based in city B.
- City B has stipulated a municipal multiplier of 400 percent.
- The tax base amount for company A is 3.5 percent of its annual taxable earnings or EUR 35,000.
- The EUR 35,000 is multiplied by the municipal multiplier of 400 percent, resulting in a total trade tax for company A of EUR 140,000.

Partnerships have an annual tax free allowance for trade tax of 24,500 euros. The solidarity surcharge is **NOT** levied on trade tax.

OFFSETTING TRADE TAX AGAINST PERSONAL INCOME TAX

Partnerships can offset some of the trade tax they pay against personal income tax - to the total of 3.8 times the trade tax base amount.

This means that there is in effect no trade tax burden for partnerships in municipalities with a multiplier of under 380 percent. Trade tax still has to be paid to the municipality. However, it can be offset against the personal income tax.

Example

- Partnership A has a tax base amount of EUR 35,000 (3.5 percent of its annual taxable earnings).
- This tax base amount can be offset against personal income tax payments with a weighting factor of 3.8; amounting to EUR 133,000 (35,000 x 3.8).
- Accordingly, partnership A can offset EUR 133,000 against personal income tax payments.

Value-added Tax (VAT)

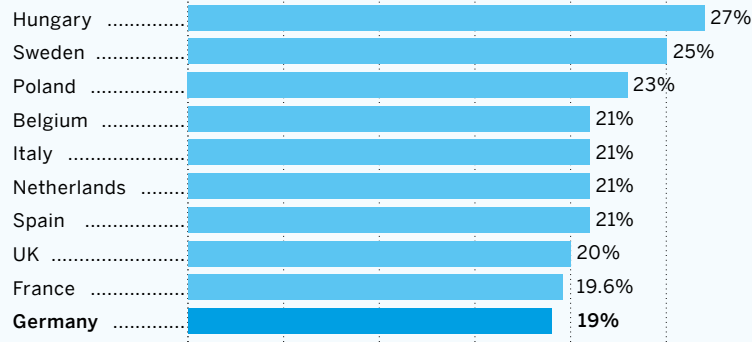
Value-added Tax in Germany

Companies must add value-added tax (VAT) to their prices. Thus, VAT is only paid by the end user of a product or service. Companies transfer the VAT received to the tax authorities on a monthly, quarterly, or annual basis. The frequency generally depends on the level of company turnover.

The normal VAT rate of 19 percent is just below the European average. A reduced rate of seven percent applies to certain consumer goods and everyday services (such as food, newspapers, local public transport, and hotel stays). Some services (such as bank and health services or community work) are completely VAT exempt.



VALUE-ADDED TAX IN SELECTED EU COUNTRIES



Source: European Commission, Germany Trade & Invest 2012.

Value-added tax which is collected has to be paid to the responsible tax office on a monthly, quarterly or annual basis. The exact time frame depends on the company's level of turnover.

The official German term for VAT is *Umsatzsteuer (USt)*, but it was originally called *Mehrwertsteuer (MwSt.)* and is often still referred to by this name.

Input VAT (Vorsteuerabzug)

On purchasing goods or making use of services, companies regularly have to pay value-added tax themselves. The taxes collected and paid can be balanced out in the input VAT deduction (*Vorsteuerabzug*). For companies, value-added tax represents a transitory item only.

Example: How Input VAT is Balanced

A car dealer has sold ten vehicles in one month, each at a gross price of EUR 17,850 (net cost EUR 15,000). For each sale, the dealer receives EUR 2,850 in VAT from the customer. At the end of the month, the dealer therefore owes the tax authorities EUR 28,500.

However, in the same period, the car dealer also bought ten cars from the car manufacturer. The net cost of each car was EUR 10,000. The car manufacturer added 19 percent VAT to this amount. The dealer therefore transferred EUR 119,000 (including EUR 19,000 in VAT) to the manufacturer.

Thus, the car dealer has received EUR 28,500 in VAT and paid out EUR 19,000 in VAT. These totals are communicated to the tax office (*Finanzamt*), and only the difference of EUR 9,500 must be transferred by the car dealer to the tax authorities.

Trade Within the European Single Market

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

Acquisition tax is payable by the recipient of the goods. If an EU company exports goods to a company located in another EU member state, the delivering company therefore neither has to pay customs or charge VAT. The company in the other EU member state receiving the goods has accordingly to pay acquisition tax.

Acquisition tax rates correspond with the VAT tax rates of the country where the recipient of the goods is located. Companies can however reclaim acquisition tax like regular VAT.



Trade with Non-EU Member States

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

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

Exports are exempt from VAT.

Tax Deductions

The significant difference between nominal and effective tax rates in Germany is based on a series of options for tax deductions.

Loss Carry-Back and Loss Carry-Forward

Losses for corporate income tax purposes can be carried back for one year, limited to a total loss amount of one million euros.

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

Deductibility of Interest Payments

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

Straight Line Depreciation

Straight line depreciation for assets is a deductible expense for tax purposes. The annual depreciation is calculated by dividing the purchase price by the estimated useful life of the asset.

All depreciations have to apply the straight line method.

Fiscal Unit Concept

The German fiscal unit concept allows profit and loss pooling to determine the profit for taxation purposes at the level of the controlling parent. Profits and losses from German subsidiaries are consolidated and subject to taxation at the level of the German parent company. Fiscal unit preconditions are:

- The controlling parent is resident in Germany.
- The parent holds more than 50 percent of voting rights of corporate subsidiary entity.
- A profit and loss pooling agreement between parent and subsidiary entity exists with a duration of five years.
- This agreement is registered with the commercial register.

Taxation of Property

Real Property Tax

Every property owner in Germany is liable to pay real property tax (*Grundsteuer*). The tax rate depends on the type of real property. This is sorted into two distinct categories:

- Real property tax "A". Real property used for agriculture and forestry.
- Real property tax "B". Constructible real property or real property with buildings.

Real Property Tax Rate

The real property tax burden is calculated by multiplying:

- the assessed value of the real property
- the real property tax rate
- the municipal multiplier

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

The real property tax rate depends on the type of real property. The tax rate is e.g. 2.6 ‰ (0.26 percent) for property used for (semi-) detached houses with a value of up to 60,000 euros and 3.5 ‰ (0.35 percent) for all remaining types of real property (including commercially used real property).

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

Determining the Real Property Tax Burden

Real property tax burden for a commercial building in a municipality with an average real property tax “B” collection rate of 350 percent:

Assessed Value	EUR 1,000,000 (e.g.)
x Basic real property tax rate	x 0.35 percent
x Municipal multiplier “B”	x 350 percent
= Real property tax burden	= EUR 12,250

Real Property Transfer Tax

When domestic real estate is sold or changes owner, a one-time real property transfer tax (*Grunderwerbssteuer*) of the purchase price is levied if the purchase price or consideration exceeds 2,500 euros. Real property transfer tax is usually paid by the buyer. The tax rate varies from federal state to federal state. In North Rhine-Westphalia the tax rate is five percent.



Tax Declaration

Every taxpayer must submit a tax return to the tax authority (*Finanzamt*) once a year. The tax authorities are organized locally. The tax office at the location in which the corresponding company has its (German) head office is responsible.

Registration at the Tax Office

With the establishment of companies, the registration takes place at the responsible tax office with the submission of the so-called „tax assessment questionnaire.“ The questionnaire is sent to newly established companies by the tax office once they have been established (or once they have registered their business).

Tax Collection and Deadlines

With the most important types of tax (corporate income, personal income, trade, and value-added tax) collection is made via advance payments (normally monthly or quarterly) which are offset against the actual tax liability in the annual tax declaration. The tax declaration has to be submitted by 31 May of the following year. However, this deadline can be extended on request. Depending on the expected amount of taxes to be paid, the tax authorities can determine the period when tax payments are due.

The tax authorities provide information on tax issues. However, companies in particular should seek the services of a tax consultant to ensure the tax return is completed as favorably as possible. The German Association of Tax Advisers (*Deutscher Steuerberaterverein e.V.*) provides a register of German Tax Advisers.

German Association of Tax Advisers
www.dstv.de

Payment of Wage Tax

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

Electronic Tax Declaration

Tax declarations on income tax, wage tax, and value-added tax can easily be submitted to the tax office electronically. The electronically submitted tax declaration is mandatory for business operators. Information, forms, and software products for submission of an electronic tax declaration are available at the following websites.

Information on the subject of tax declarations is provided in detail at the website of the Tax Information Centre of the Central Office of Taxes.

Tax Information Centre SIC
www.steuerliches-info-center.de



Customs

The European Customs Union

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

This means that customs duties are only levied when the goods are imported into the EU. Once goods have been imported into the EU, no further customs duties must be paid within the customs territory - even if the goods cross internal borders of member states.



The European Customs Union in Practice

A German product may be shipped to Hungary without paying any duty and without any customs control.

Conversely, a Japanese product imported into the European Customs Union is subject to customs duties only when and where it first enters the EU, for example, Germany.

Subsequent to entry and initial customs clearance, no further customs procedures and duties are necessary. The product can circulate freely within the European single market.

Through the Agreement on the European Economic Area (EEA), Norway, Iceland and Liechtenstein also comply with most of these European Community regulations. The EU has also concluded customs unions with Andorra, San Marino and Turkey. Trade agreements allowing the duty-free import of certain goods or preferential tariff import agreements exist with many other countries.

Please see the EU-website for an overview of existing free trade agreements between the EU and third countries.

Free Trade Agreements
<http://trade.ec.europa.eu>

Single Customs Tariff in the EU

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

Online Tariff Database TARIC
<http://ec.europa.eu>

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

The vast majority of tariff rates are stated as ad valorem values. The basis for their calculation is the customs value of the goods. This is defined in accordance with the GATT (General Agreement on Tariffs and Trade) customs valuation code - the basis for assessment of customs values valid worldwide. According to this code, the customs value of imported goods is usually the so-called "transaction value," in other words, the value of the consignment according to the commercial invoice not including any adjustments such as transport and insurance costs up to the EU border.

Customs Procedures

Goods in the customs territory of the EU either have the status of Community goods (goods manufactured or obtained in the EU or „goods released for free circulation“) or of non-Community goods (all goods which do not comply with the criteria of Community goods). Importers may only be in possession of a limited amount of non-Community goods, or in some cases none at all, according to the amounts permitted by the customs administration.

Different customs procedures apply subject to the reasons why goods are imported. Goods may be imported to be sold, repaired, temporarily stored or used in the production of other products for re-exportation.

In total, the Community Customs Code stipulates eight different customs procedures (including export procedures which are not detailed here). The intended use of the goods determines which customs procedure is applied.

Alongside placement under a customs procedure, goods can also be placed in free zones or in free warehouses. There are currently four such free zones in Germany: the free ports of Cuxhaven, Bremerhaven, Deggendorf, and Duisburg.



Overview of Different Customs Procedures

FREE USE OR STORAGE IN CUSTOMS TERRITORY

CUSTOMS PROCEDURE	APPLICATION	CONDITIONS
Release for free circulation	Goods traded freely within the EU	- Payment of import duties
Customs warehousing ^{1,2}	Goods stored within the customs territory	- No import duties due during the storage period HOWEVER: - goods must be placed in another customs procedure at the end of the storage period
Transit ²	Goods whose import formalities are completed at a customs office at the place of destination	- Presentation of goods at the customs office at the place of destination in due time - placement into another customs procedure once there
Temporary importation ²	Goods which may be used within the EU for a limited period of time, such as demonstration products	- (partial) exemption from import duties HOWEVER: - Goods may not be modified - Goods must be re-exported

PROCESSING OF GOODS

CUSTOMS PROCEDURE	APPLICATION	CONDITIONS
Outward processing ¹	Community goods which are exported from the EU and are subject to outward processing procedures in third countries but which are then re-imported to the EU	Import duties are calculated on the basis of: - the difference between the amount of duty for the processed goods and the amount of duty for the primary product (differential method) OR: - the processing costs (value-added method)
Inward processing ^{1,2}	Goods imported into the EU, processed there and then re-exported	- Import duties are levied as the goods are imported, but are reimbursed upon export
Processing under customs control ^{1,2}	Goods imported into the EU, processed there and then freely traded in the EU	- Import duties are only levied on products manufactured in the EU

¹These customs procedures (known as customs procedures with economic impact) must be approved by the Head Customs Office and have a limited time period. Goods must subsequently be re-exported out of the EU or placed into another customs procedure. Import duties only become due when the goods are placed in the economic cycle of the EU.

²These customs procedures are amongst what are known as the suspensive procedures, where no import duties are levied provided that proper processing occurs.

Presentation of Goods to Customs

There are uniform regulations for the registration of trade in goods, and these are implemented according to a defined model. In order to be able to be placed in a customs procedure, the non-Community goods must be presented to customs (in other words brought to the respective customs office via specified customs routes).

Customs authorities are informally notified of the arrival of the goods at the respective customs office (the actual presentation). As of this point, and through to the assignment of customs-approved treatment or use, the goods are placed in temporary storage and may be inspected by the customs authorities at any time.

Customs Declaration

The presented goods are then declared for a customs procedure. In order for this to happen, a customs declaration must be submitted. This can either be submitted in writing as a customs declaration form (single administrative document) or electronically via the ATLAS procedure. Information about the procedure can be found at the website of the German Customs Administration.

German Customs Administration
www1.zoll.de

Declaration formalities must be carried out by a company registered in the EU. Submission of the customs declaration by a representative, such as a forwarding agent, is permitted.

In the case of regular imports, there is also a possibility of simplified customs declarations where certain details can be skipped. These details must then be submitted in the form of a supplementary declaration within a period of 20 days (45 days in the case of maritime transport).

As from 10 March 2012 an EORI number is required to lodge a customs declaration. An EORI number (Economic Operators Registration and Identification number) means a number, unique throughout the EC, assigned by the designated authority in the European Community, which aims to identify economic operators and if applicable other persons to the customs authority. An economic operator means a person who, in the course of his business, is involved in activities covered by customs legislation. The EORI number therefore replaces the German tax number.

The EORI Number
<http://ec.europa.eu>

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

Authorised Economic Operators (AEO)
<http://ec.europa.eu>

Customs Declaration Documentation

As well as the customs declaration, a number of other documents usually have to be presented when releasing goods for free circulation:

- Declaration of customs value (with value of goods greater than 10,000 euros) (or: with goods valued more than 10,000 euros)
- Commercial invoice or proof of value
- Transport documents (such as CMR form, air waybill or bill of lading)

Depending on the goods, other documents may also be required, including:

- Certificate of origin/declarations of origin/movement certificates (such as in the case of the utilisation of benefits from free trade agreements, preferential agreements, cooperation agreements and association agreements)
- Import permits/import licences and surveillance documents
- International import permit/delivery verification certificate (such as in the case of goods and technology with strategic importance)

Import Restrictions


Some goods may only be marketed in Germany if they comply with certain conditions regarding ingredients, materials or technical specifications. The TARIC database shows whether any limitations or restrictions exist. However, actual import bans only apply to a tiny number of goods.

Different authorities are responsible for the granting of approvals or licences, depending on the nature of the goods. Please feel free to contact us for further information or refer to the responsible institutions websites:

Commercial goods: Federal Office of Economics and
Export Control (BAFA)
www.bafa.de

Agricultural products: Federal Office for Agriculture and Food (BLE)
www.ble.de

Trade with products of species protected by international law:
Federal Agency for Nature Conservation (BfN)
www.bfn.de



5 Employees and Social Security

Finding Suitable Staff

Flexible Models of Employment

Terms of Employment

Termination of Employment

Employee Representation

The German Social Security System

A company's success very much depends on its employees. Finding suitable staff in Germany is quite easy. But what considerations need to be addressed once employees are found? How is employment regulated? What do employers need to know about the German social security system? And how does payroll accounting work?

Finding Suitable Staff

Workforce in Germany

Germany has over 400 universities and universities of applied sciences (UAS). Almost 70,000 engineers and over 67,000 mathematicians and natural scientists graduated in 2011, with tendency to rise.

Through a combination of on- and off-the-job training in Germany's so-called dual education system, hiring and training costs are reduced (especially for skilled craftsmen and technicians) and recruitment risks minimized. Vocational colleges closely cooperate with 470,000 companies in Germany, ensuring that education always meets specific industry needs.

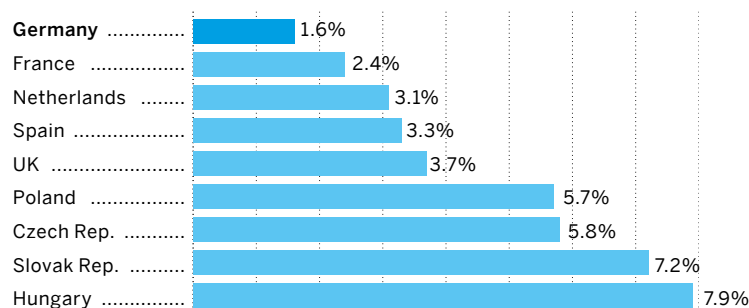
Highly flexible working practices such as fixed-term contracts, shift systems, and 24/7 operating permits contribute to enhance Germany's international competitiveness as a suitable investment location for internationally active businesses.

Competitive Labor Costs

Germany is known for very stable labor costs. Wages have risen in most European countries (EU-27) since 2002, with the growth rate averaging 3.1 percent. While some countries - particularly those in Eastern Europe - experienced a rise of more than seven percent, Germany recorded the lowest labor cost growth within the EU at just 1.6 percent. This has been another decisive argument in favor of Germany as a premium business location.

Wages are generally negotiated freely. There is no overall statutory minimum wage. Minimum wage regulations exist only in certain industries. Please refer to our *Terms of Employment* chapter for more information.

EUROPEAN LABOR COST GROWTH 2002-2011



Annual average growth expressed as percentage of industry, construction and services.
Source: Eurostat 2011

Measured in unit labor costs, Germany experienced a major increase in productivity the past decade. In marked contrast to other European countries which have experienced an overall increase in unit labor costs, Germany's unit labor costs decreased by a yearly average of 0.4 percent for the period 2004 to 2011. This made the economy more competitive - particularly manufacturing.

Hiring a Workforce

Companies are supported in various ways during their search for suitable employees. The Federal Employment Agency (*Bundesagentur für Arbeit*) offers professional recruitment services free of charge. It is represented in the municipalities throughout Germany with its job centers.

Federal Employment Agency
www.arbeitsagentur.de

There are also numerous private providers of recruitment services. These companies normally charge the hiring company a fee of no more than two gross monthly salaries of the employee that they procure.

German Association of Private Employment Agencies (German only)
www.personaldienstleister.de

In addition, companies seeking new personnel usually advertise open positions in newspapers, journals, company websites, or on internet job market websites. Ads for specialists and highly qualified staff are usually placed in national newspapers and professional journals, whereas ads for skilled workers or low-qualification jobs normally appear in local papers.

Public Support Programs

A wide range of labor-related incentives programs supports the development of a company's pool of employees offering qualification and training measures for new employees. In addition to this, under certain conditions, companies can also be supported by wage subsidies.

Labor-related incentives programs are carried out and adjusted by the local job centers according to investor needs. Please refer to our incentives chapter for more information.



Flexible Models of Employment

Germany has different models of employment, providing investors with flexible employment solutions - especially in the starting phase of the business. Temporary employment agencies provide appropriate personnel at short notice.

Regular Employment

Regular employment contracts are unrestricted and can be terminated by a written letter of termination, provided a mandatory notice period has been observed. Regular employment contracts include a six-month probationary period during which the contract may be terminated at any time.

Fixed-term Contracts

Companies are free to offer fixed-term contracts. Such fixed-term contracts expire automatically on a specific date. A dismissal is not required to terminate this type of contract (unless the contract needs to be terminated before expiring). It is for the employer to decide whether to renew the contract or not.

Fixed-term contracts are generally limited to a maximum of two years. A fixed-term contract may be extended up to three times provided the total duration of contract does not exceed the maximum of two years.

Example

A limited six months contract can be extended three times for a further six months (for a total duration of 24 months).

During the first four years of a company's existence in Germany, employment contracts may be limited or extended several times up to a total duration of four years.

Temporary Employment

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

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

The duration and the terms of termination of the service of the employee in the hiring company are not subject to labor regulations, but only set out in the service contract between the hiring company and temporary employment agency.

The general working conditions such as weekly working hours and wages are usually determined in collective agreements between unions and the respective employers' associations of the temporary employment industry. These collective agreements provide flexible working hour models by using working hour accounts to adjust the demand of the hiring company and working time regulations.



Mini and Midi Jobs

“Mini jobs” (also known as “450 euro jobs”) refer to employment contracts where salary paid does not typically exceed a total monthly sum of 450 euros (i.e. marginally remunerated employment) or those in which the employee only works a maximum of 50 days per year (i.e. short-term employment).

In the case of marginally remunerated employment, the employer pays fixed rates of tax and social insurance contributions that total 30.99 percent (plus statutory accident insurance).

In addition, the employee is generally liable for pension insurance contributions of 3.9 percent. However, the employee is free to apply for an exemption from pension insurance (opt-out option).

With short-term employment, no social insurance contributions are due for health and pension insurance. It is only necessary to tax the income and to pay statutory accident insurance and some other minor allocations.

“Midi jobs” (also known as “low-salary jobs”) are employee-employer relationships with an average monthly salary in the 450.01 euros to 850 euros range. Employees pay a reduced rate of social insurance for midi jobs. The employer pays the full contribution rate. However, this is below the contribution rate for mini jobs. The wage is normally subject to income tax.

Terms of Employment

The Employment Contract

A contract of employment setting out the terms and conditions of the employer-employee relationship is usually drawn up in writing (verbal agreement is also possible). In principle, the contract can be formulated in any language. However, a binding German version is advisable as German courts require a German translation of any contract drawn up in another language in the event of any legal proceedings being instigated.

There is no legally fixed form for a contract of employment. Nonetheless, it is highly advisable to define certain points, such as:

- The description of the location and activity;
- The date of appointment and notice periods (in the case of fixed-term employment contracts the duration of the contract);

- The daily or weekly working time;
- Arranging of a probationary period;
- The level of the wage (gross) and possible bonuses;
- Vacation entitlement;
- Non-disclosure agreements or non-compete obligations;
- Contractual penalties

Salaries and Wages

The level of the salary or wage in Germany can be negotiated freely between the employer and employee. There is no general or uniform minimum wage. Binding minimum wages have only been established in the following industries:

- General construction trade
- Roofing
- Painting and varnishing trade
- Commercial building cleaning trade
- Electrical engineering trade
- Mining specialists
- Commercial laundry services (in customer business premises)
- Waste management
- Nursing care sector
- Security services industry
- Temporary employment sector

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

Working Times

Working hours are very flexible in Germany. Under German labor law employees are allowed to work eight hours per day (48 hours per week). Saturday is considered to be a normal working day. With a five-day week, the permitted weekly working time totals 40 hours. Most business is conducted from Monday to Friday but retailers and manufacturing industries usually operate on Saturdays as well. Sundays, in contrast, are generally considered to be days off. An extension of the working time to a maximum of 60 hours per week (or ten hours per day) is possible under certain conditions.

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

The statutory amount of work breaks depends on the total number of hours worked per day. Employees are entitled to a break of 30 minutes when working between six and nine working hours per day. Employees are entitled to a 45 minute break where more than nine hours a day are worked. Breaks may be split up throughout the day, but divisions may not be shorter than 15 minutes. Statutory breaks of at least eleven hours exist between shifts.

Vacation and Public Holidays

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

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

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

Sick Leave

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

Where the period of sick leave exceeds three days, employees are obliged to have a general practitioner provide proof of their incapacity to work. Notwithstanding this, employers may also request medical certification of an employee's incapacity to work beginning on the first day of sick leave.

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

Maternity Leave

Employees should inform the employer of any pregnancy and the expected delivery date as early as possible.

A maternity protection period starts six weeks before the expected birth date and ends eight weeks after delivery. Pregnant employees are only allowed to work during this time if a doctor certifies that the work will not be harmful to the health of the mother and child. (In cases of premature or multiple births, the employee is not obliged to return to work for a period of up to twelve weeks after delivery - without having to provide proof of medical necessity for this extended absence.)



During the maternity protection period, pregnant employees are entitled to the average sum of their wages for the three months (or 13 weeks) period prior to the pregnancy paid by the employee's public health insurance (or the state in the case of privately health insured employees) and the employer.

Anti-Discrimination

The General Equal Treatment Act (*Allgemeines Gleichbehandlungsgesetz, AGG*), often referred to as the anti-discrimination act, implements EU regulations on anti-discrimination.

The anti-discrimination act mandates a general prohibition of discrimination against any person for reasons of:

- Ethnic origin
- Gender
- Religion or ideology
- Disability
- Age
- Sexual orientation

Termination of Employment

A contract of employment can be terminated by the employer or the employee. Dismissals require written form (paper form). Electronic termination (e.g. via email) is not possible. Both parties, employer and employee, have to observe the statutory notification periods.

Employment Protection Act

The German Employment Protection Act (*Kündigungsschutzgesetz*) establishes certain rules for dismissals, drawing distinctions between:

- Dismissal for personal reasons
- Dismissal for conduct-related reasons
- Dismissal for business reasons

The Employment Protection Act only applies to companies with a staff of more than ten employees and with respect to continuous employment relationships of more than six months in the same company.

If these conditions do not apply, employers generally have an unfettered right to terminate employment contracts within statutory notice periods.

Dismissal for Personal Reasons

If employees are not physically or mentally suited to their job in the long term, termination is possible if the burden on the company is unreasonable. Justifiable reasons include long-term illness with a negative prognosis, or an alcohol or drug addiction with no reasonable prospect of successful treatment. However, employers must first implement reasonable stop-gap measures such as staff reorganization or the hiring of temporary staff.

Dismissal for Conduct-Related Reasons

Employee misconduct can justify dismissal. However, a dismissal must always remain an option of last resort. Less severe options, such as redeployment of the employee, have to be considered prior to dismissal. Dismissal for conduct-related reasons generally also requires a prior written warning.

A conduct-related dismissal may be based on significant inappropriate conduct such as:

- Repeated lateness for work
- Refusal to perform certain work
- Repeated unapproved private use of the internet despite prior prohibition
- Absence from work without a reason; unapproved vacation
- Criminal acts or violence at work

Dismissal for Business Reasons

Termination for business-related reasons may be permitted if the employee's job is rendered dispensable due to changes in the business organization such as:

- Plant closure
- Restructuring
- Insufficient work due to a shortage of orders

The business decision to cut back jobs under these circumstances is only limited reviewable by labor courts.

Extraordinary (Immediate) Termination

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

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

Exemplary reasons for the employer:

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

Exemplary reasons for the employee:

- Non-payment of wages
- Unlawful working

Immediate termination is only effective if the terminating party dissolves the employment within two weeks after the reasons for termination became known.

Notification Periods

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

An employee must submit a notice with a minimum notice period of one month, effective either on the 15th or end of the month.

For the employer, the minimum notice period depends on the duration of employment. After the probationary period of a new employment contract has ended, the initial notice period is four weeks. This increases to seven months after 20 years of job tenure in the same company. Individual notice periods can be agreed upon, but these must comply with minimum statutory notice period requirements.

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

Employee Representation

Works Councils

A works council may be established in companies with five or more employees.

Works councils are in-house committees representing the interests of the employees within a company. Their activities range from information and non-binding consultation rights to exercising co-determination rights in organizational and social affairs. However, the works council is generally prohibited from becoming involved in corporate governance.

Rights regarding the formation of works councils are governed by the German Works Council Constitution Act (*Betriebsverfassungsgesetz*). Accordingly, works councils can be formed by the employees through election (no quorum required). Works council members are elected for four years by the employees in direct and secret elections. Candidates do not have to be union members.



Functions and Rights of Works Councils

Works councils have informative and advisory rights relating to company internal policy and organization. Specifically, they can negotiate rules pertaining to organizational and social issues, and must be consulted regarding specific personnel decisions. The employer and works council can negotiate rules on matters such as:

- end and beginning of daily working hours (not the duration as such)
- vacation schedules
- internal behavioral rules
- safety issues (accident prevention)
- surveillance installations
- internal social facilities (e.g. canteens)
- general company wage structures (but not individual salaries)

Employee Representation on the Supervisory Board

Stock corporations (AG) must always install a supervisory board. For Limited Liability Companies (GmbH) the installation of a supervisory board is mandatory only if the company has more than 500 employees. Whereas in smaller corporations the supervisory board can in principle be made up of representatives from the shareholder side only, large corporations with more than 500 employees must have representatives from both employers/shareholders and employees on their supervisory board (at least 1/3 of representatives must be employees).

The German Social Security System

Components of Social Security Insurance

In contrast to some other industrialized countries, the core social security in Germany is financed collectively by means of a process of redistribution. The current costs (for pensioners, sick people or those in need of nursing care, and unemployed people) are paid directly from contributions by employees and employers.

Social security contributions are made up of:

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

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



SOCIAL SECURITY CONTRIBUTIONS IN GERMANY

SOCIAL SECURITY INSURANCE COMPONENTS ¹ (IN % OF GROSS WAGE)	EMPLOYER/EMPLOYEE SHARE (IN % OF GROSS WAGE)
18.9% pension insurance	9.45% employer
	9.45% employee
15.5% health insurance	7.3% employer
	8.2% employee
3.0% unemployment insurance	1.5% employer
	1.5% employee
2.05% nursing care insurance	1.025% employer
	1.025% employee ²
1.32% accident insurance	1.32% employee ³

(1) plus minor allocations; (2) Childless employees pay an extra 0.25% nursing care insurance;
(3) average accident insurance contribution 2011 according to the Germany statutory
Accident Insurance association (DGUV)

Allocation of Contributions

A common fund exists for all social security components. Only the health insurance provider can be chosen individually by the employee.

HEALTH INSURANCE

Employees earning a gross wage of less than 4,350.00 euros per month are compulsorily insured by one of the public health insurance providers (*Gesetzliche Krankenversicherung, GKV*). Employees whose earnings are above this income threshold can choose from both public and private insurance companies (*Private Krankenversicherung, PKV*). Employee and employer also share the premiums for private health insurance plans.

The basic flat health insurance contribution rate amounts to 15.5 percent of the employee's gross income. 0.9 percent of the health insurance rate are paid by the employee only. The remaining part of 14.6 percent of the health insurance rate is equally shared between employer and employee.

NURSING CARE INSURANCE

Nursing care insurance is organized in more or less the same way as health insurance, with a contribution rate of 2.05 percent of the gross wage. Employer and employee both pay half of the contribution rate, with childless employees paying an extra 0.25 percent on top of their contribution. The premiums are deducted in the course of payroll accounting and transferred to the nursing care insurance company via the health insurance company.

PENSION INSURANCE

Pension insurance is compulsory for employees. The premium is 18.9 percent of the gross wage and is divided equally between employee and employer. The employee's health insurance company is responsible for collecting these contributions.

UNEMPLOYMENT INSURANCE

The premium for the mandatory unemployment insurance is 3.0 percent of the gross wage and is shared equally by the employer and employee. Contributions for unemployment insurance are collected by the health insurance company of the employee, which transfers the money to the Federal Employment Agency (*Bundesagentur für Arbeit*).

ACCIDENT INSURANCE

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

Every employer must inform the relevant trading association about the establishment of his or her business and register with this organization. The accident insurance rate is determined on the basis of the company's total remuneration sum and the hazard category of the work concerned (the hazard category is determined by the relevant employers' liability insurance association). According to the umbrella association of the German Statutory Accident Insurance (*DGUV*), the average accident insurance contribution in 2011 was 1.32 percent.

Payroll Accounting and Social Security Contributions

Employees in Germany receive a net wage or salary from which tax and social security contributions have already been deducted. The employer withholds the tax that the employee is required to pay and transfers the money directly to the tax office (*Finanzamt*). Therefore, all employees must be registered with the local tax office.

Social security contributions are also withheld by the employer after calculation of the gross wage and transferred to the employee's health insurance company (which then distributes all of the contributions excluding accident insurance to all relevant parties). The employer separately has to pay the contributions for the accident insurance to the relevant Employers' Liability Insurance Association (*Berufsgenossenschaft*).

Regulations for Foreign Employees

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

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

Social Security in North Rhine-Westphalia

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

Health and Safety at Work

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

Further information at:

www.arbeitsschutz.nrw.de

www.liga.nrw.de

Education Check

Science and technology are constantly producing new knowledge which affects the world of work. To be able to remain competitive in the market, companies need employees who are prepared to undergo further training. With the Education Check, North Rhine-Westphalia provides both employers and employees with an incentive to take advantage of professional training opportunities. The Education Check is aimed at small and medium-sized companies with a maximum of 250 employees who have a particular demand for further training. When a company's employees undergo further training, the state of North Rhine-Westphalia covers half of the cost – to a maximum of 500 euros per Education Check.

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

Further information at:

www.bildungsscheck.nrw.de

Store Opening Times

In Germany, the federal states are responsible for the regulation of the store opening times. Since 2007, the following rules have applied in North Rhine-Westphalia: From Monday to Saturday, business proprietors can determine their opening times without any restrictions. Sunday is protected on principle and not a sales day. However, cities and municipalities have the possibility to determine special openings for up to six Sundays a year.

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

Further information at:

www.wirtschaft.nrw.de



6 The Legal Framework

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

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

Foreign Businesses in Germany

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

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

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

Foreign Trade and Payments Act

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

The Foreign Trade and Payments Act allows the imposition of restrictions on inward and outward FDI for reasons of foreign policy, foreign exchange, or national security. However, in practice, such restrictions are seldom imposed. There is no broad authority to review foreign direct investment (except for the defense and cryptology sectors), although a further extension of the Foreign Trade and Payments Act to more sectors is currently under discussion.

Import Regulations

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

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



Patents, Licensing, Trade Marks

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

Patents

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

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

DPMA's Information for Patent Applicants Fact Sheet
www.dpma.de

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

European patents are granted under the European Patent Convention (EPC). The European and the national patent-granting procedure exist in parallel. When seeking patent protection in one or more EPC contracting states, the applicant can choose between following the national procedure of the respective individual states or adopt the European route which confers protection in the contracting states designated as part of the single procedure.

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

European Patent Organization

www.epo.org

Trade Marks

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

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

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

DPMA's Information for Trade Mark Applicants Fact Sheet

www.dpma.de

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

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

Licenses

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

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



Planning and Building

Construction Laws

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

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

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

Building Permits

A building permit (*Baugenehmigung*) is required for the construction, alteration, demolition, or change in use of a building. The building permit is granted if the project complies with the planning and building regulation law as well as with all other applicable laws (such as environmental laws).

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

The application must include a detailed plan of the project, accompanied by necessary supporting documentation such as site plan, construction drawings, building specifications, and, where applicable, documentation regarding heating, noise prevention, and fire protection plans. The documentation required for the application must also be presented to adjacent property owners.

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

Immission Control Permits

Environmental protection is declared as a general state goal in the German constitution (*Grundgesetz*). In general, all buildings may not contravene these protection goals. There are a number of different laws and regulations protecting the environment.

Most important for large industrial facilities is the immission control permit, which is required prior to construction in order to prove that facilities and projects comply with the requirements of environmental law and other regulations aimed at protecting the common good. Facilities and projects subject to this approval procedure are:

- Emitting industrial plants
- Waste management plants
- Nuclear (power) plants
- Highways and railroad tracks
- Airports
- Navigable waterways
- Plants subject to the law on genetic engineering

Immission Control Permit Procedure

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

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

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

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

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



Legal Proceedings

According to the 2008 Global Competitiveness Report of the World Economic Forum, Germany occupies top slot in the “Efficiency of Legal Framework” and “Judicial Independence” categories. Hence, companies and entrepreneurs can count on a reliable legal system. Numerous international law firms are represented in Germany.

Attorneys at Law

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

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

Federal Bar Council (*Bundesrechtsanwaltskammer*) (in German only)

www.brak.de

German Bar Association (*Deutscher Anwaltverein*)

www.anwaltverein.de

The Courts

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

- local courts (*Amtsgericht*)
- regional courts (*Landgericht*)
- higher regional courts (*Oberlandesgericht*)
- and the Federal Court of Justice (*Bundesgerichtshof*) at the highest level

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

Jurisdiction

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

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

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

The Order of Payment Procedure

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

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

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

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

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

Alternative Disput Resolution

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

7 Living in Germany

Finding the Right Place to Live

Assistance for Families

German Education System

Ensuring Quality of Life



German living standards are high, though living expenses are moderate. The government provides for a sound living environment: families enjoy significant support, are bolstered by an excellent education system, and the German health system is considered exemplary throughout the world. This chapter explains how to make the most of what Germany has to offer.

Finding the Right Place to Live

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

Finding Accommodation

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

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

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

Registration of Residence

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

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

Assistance for Families

Child Support

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

The government pays an allowance of 184 euros per month for each of the first two children, 190 euros per month for the third child, and 215 euros per month for every additional child.

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

Child Allowance (*Kindergeld*) Application Form (in German only)
www.arbeitsagentur.de

Parental Leave

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

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

The Kindergarten

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

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

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



Information on Multilingual Kindergartens

www.fmks-online.de

Child Care in North Rhine-Westphalia

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

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

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

FAMILY CENTERS

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

More information is available at:

www.familienzentrum.nrw.de

German Education System

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



German School System

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

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

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

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

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

The German Education Server
www.eduserver.de

Open All-Day School

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

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

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

At the beginning of the 2011/2012 school year, 41 “Gemeinschaftsschulen” (similar to comprehensive schools) have opened. At these schools the children continue to be taught together following primary school, regardless of the school-leaving qualification they are aiming for. Furthermore, children with and without disabilities learn together in the same classes. Additional, specially trained teachers are provided for these schools according to a prescribed key.

Vocational Schools

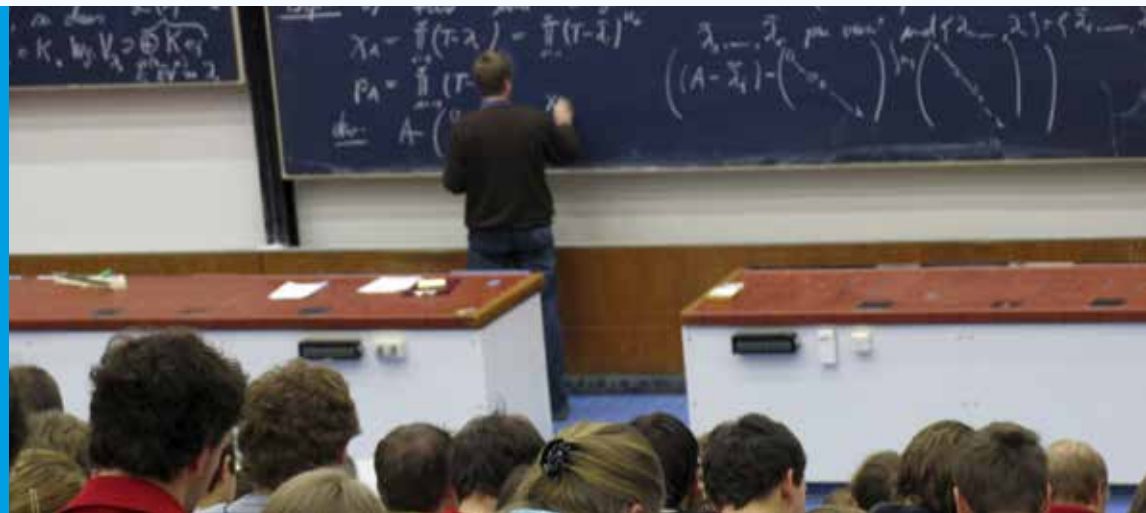
Professional training is accompanied by vocational school education. Here the trainees learn the necessary basics specific to their chosen professions and a basic general education.

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

Foreign and International Schools in NRW

In North Rhine-Westphalia there are 22 foreign and seven international schools. The organization and curricula of foreign schools comply with the school regulations applicable in the respective country of origin. These schools prepare pupils for the examinations and certificates valid in foreign country concerned.

International schools are education establishments with private governing bodies. Here you can obtain internationally accepted degrees which will entitle students to university admission.



Further information at:

www.schulministerium.nrw.de

www.privatschulen-in-deutschland.de

The German Education Server provides lists for private, state, European, and international schools in Germany.

The German Education Server

www.eduserver.de

More Links to Organizations of European and Private Boarding Schools:

European Schools/Schools Focusing on Foreign Languages

www.fmks-online.de

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

www.privatschulen.de

Dual Education System

Around 60 percent of all young people learn a profession within the dual system of vocational education and training. The system is called “dual” because vocational training takes place both in the company and in part-time vocational school. In the company, the apprentice receives practical training which is supplemented by theoretical instruction in the vocational school.

There are around 350 state recognized training occupations. The period of training is usually two to three years and is concluded by a state examination. During this time, the apprentice is financially remunerated. Access to this training is not formally linked to a specific school certificate.

However, most employers expect secondary school graduation at least. The level of the degree depends on the requirements of the specific occupation. The system is based on statutory training regulations and administered by the Chambers of Industry and Commerce (*Industrie- und Handelskammern, IHK*).



Higher Education

Germany is home to a number of different types of higher education institutions catering different programs of study. University education traditionally has a very high standing in Germany. The characteristic feature of German universities lies in their pronounced focus on academic teaching and research.

The majority of German universities are state-run. The government provides the main funds for universities. However, since 2007, many universities have introduced minimal tuition fees of up to 500 euros per semester.

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

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

University Degrees

Traditional German university degrees are the “Diplom” in the natural sciences, engineering, and social sciences; and the “Magister” in languages and cultural studies. These degrees are equivalent to an international Master’s degree, as they require around four to five years of study.

In 1999, the members of the European Union agreed to standardize and harmonize university degrees. Since then, German universities have been in the process of restructuring their degree programs, and have introduced a number of new Bachelor and Master programs. The online “Studienwahl” information service provides a list of universities and degrees available.

Information on Academic Degrees available in Germany
www.studienwahl.de

The University Landscape in North Rhine-Westphalia

With a total of 69 universities and universities of applied sciences, North Rhine-Westphalia has the densest university network in the whole of Germany. Students can study any subject in North Rhine-Westphalia and have the opportunity to specialize at an early stage. North Rhine-Westphalia thus also offers the most wide-ranging university program in Germany.

The University of Cologne and RWTH Aachen University number among Germany’s Universities of Excellence. Via this program the universities receive additional funds for innovative research projects.

Since the 2011/12 winter semester the universities in the state of North Rhine-Westphalia have no longer charged tuition fees.

Further information at:

www.innovation.nrw.de

Foreign University Students

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

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

German Academic Exchange Service (DAAD)

www.daad.de

Ensuring Quality of Life

Leisure Opportunities

Germans treasure their free time and make sure that leisure activities are accessible, affordable and fun. Whether by air, sea, rail, or road, getting to vacation or tourism destinations within and outside of Germany is simple and stress-free. Sports facilities and health clubs exist everywhere and cater to all needs. Outdoor recreational opportunities are located in beautiful settings close to major cities.

Over 12,000 festivals are held annually, spas and getaways dot the landscape, and farmers' markets and second-hand exchanges welcome both the culinary and the curious. World-class cinematic, theatrical, and musical offerings are available to match any taste, schedule or budget. 6,155 world-class museums and 33 UNESCO World Heritage sites are at hand to educate and delight visitors.

Foreign Driving Licences in Germany

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

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

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

Motor Liability Insurance

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

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





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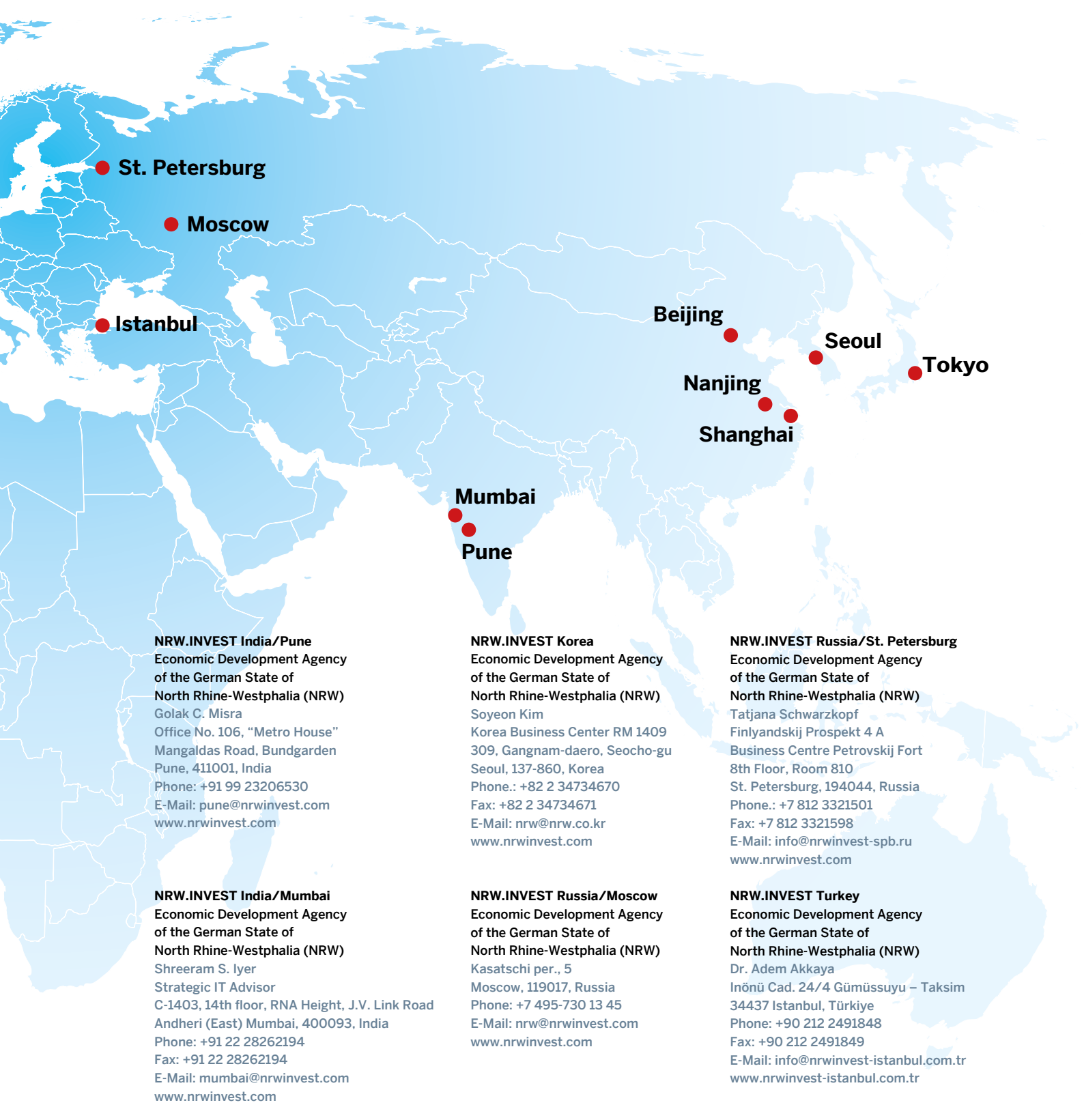
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