

Tips and information for setting up an enterprise in Germany

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1. LEGAL FORMS OF COMPANIES

German law offers a variety of business forms, including sole proprietorships for individuals, several forms of partnerships (Personengesellschaften) and corporations (Kapitalgesellschaften) with limited liability. Foreign investors usually operate through corporate subsidiaries or German branches, some prefer to start through a representative office. The decision is generally determined by tax considerations.

Legal Forms of business associations:

Partnerships (No Legal Entities):

OHG/Offene Handelsgesellschaft

General partnership: all partners with unlimited liability

KG/Kommanditgesellschaft

Limited partnership: one sole managing and unlimited partner with partners of limited liability

GmbH & Co. KG

Limited partnership: sole general partner is a GmbH (limited liability company)

Corporations (Legal Entities):

GmbH/Gesellschaft mit beschränkter Haftung:

Limited liability company

Unternehmergeellschaft / UG (haftungsbeschränkt)

Business company (with limited liability)

AG/Aktiengesellschaft

Stock corporation

KGaA Kommanditgesellschaft auf Aktien

Limited partnership on shares: corporation similar to a stock corporation.

Representative Office.

i.e. small branch offices, can be established without any formation formalities. They cannot trade or contract in their own name but mainly act in mere auxiliary matters on behalf of their parent corporations.

Branch Office.

In contrast to a subsidiary, a branch (Zweigniederlassung) is not a separate legal entity distinct from the parent company. A branch may, however, be sufficiently self-supporting and able to operate

independently. It must have its own office, bank account and bookkeeping. The branch manager has to be a senior executive to whom a general or full power of representation has been issued (Prokurist) or a general agent (Handlungsbevollmächtigter). Each branch of this type has to be registered in the Commercial Register (Handelsregister) of the respective district's local court (Amtsgericht). If the branch is formed by a foreign corporation or other legal entity, a certified (beglaubigt) copy of the corporation's articles of incorporation together with a certified German translation thereof must be submitted to the commercial register. The application has to be duly notarized (beurkundet). All substantial changes with regard to the parent company must also be communicated to the commercial register of the branch (e.g. relocation, revocation of managing directors).

Sole Proprietorship

An individual may choose a sole proprietorship (Einzelunternehmen) as business organization. In this case, all his business property as well as his private property is subject to his liability for business debts. From a certain size of business operation (approx. € 250,000 annual sales), the registration of the sole proprietorship in the commercial register is mandatory.

General Partnership – OHG

A general partnership (Offene Handelsgesellschaft) is an association for business purposes consisting of two or more partners. In spite of the fact that a general partnership is no separate legal entity, it can perform its business activities in its own name. The liability of the partners, however, is not restricted but covers the business property as well as private property. The partners can be held liable jointly and separately. The profit and loss portion of each partner is laid down in the partnership agreement. The general partnership must be registered in the commercial register.

Limited Partnership – KG

A limited partnership (Kommanditgesellschaft) has at least one general partner and one or more limited partners. Whereas the liability of the general partner for business debts is not restricted, the liability of the limited partners is limited to their capital contribution mentioned in the commercial register. The restriction of liability becomes effective upon registration of the KG in the commercial register which is mandatory.

Stock Corporation – AG

The legal form of a stock corporation (Aktiengesellschaft) is normally used if it is intended to raise equity capital by going public and sell shares at the stock exchanges. The AG is formed by one or more persons who need not be resident in Germany. The articles of incorporation (Satzung) must be drawn up before a notary public. Upon incorporation, the founders must appoint the supervisory board (Aufsichtsrat), who in turn appoints the members of the management board (Vorstand). This also requires notarization. The members of the management and supervisory boards must be individuals (not necessarily German residents). They can be shareholders, but cannot simultaneously be members of the management and supervisory board. All AGs must be registered in the commercial register. Upon entry in the commercial register, the incorporation is completed and the AG comes into existence as a legal entity.

The minimum capital stock is 50,000 Euro. The amount of capital to be paid up before application for registration in the commercial register must be at least 25 % of the face value (Nennwert) of the shares issued. The capital must be paid in fully or a security given in respect of the outstanding amount if the AG is established by a sole shareholder.

The management board is empowered to decide all matters relating to routine business affairs and is responsible to the supervisory board. Shareholders exercise their power at the general meeting (Hauptversammlung) thus electing and dismissing their representatives within the supervisory board, deciding on the appropriation of profits and amendments to the articles of incorporation.

Limited Liability Company – GmbH

The German Limited Liability Companies Act (GmbH-Gesetz) provides for two GmbH variants: The standard GmbH with a minimum share capital of 25.000 Euro and the so-called 'business company with limited liability' (Unternehmergesellschaft [haftungsbeschränkt] or UG [haftungsbeschränkt]) according to § 5a GmbH Act. The UG is not a separate legal form, but only a type of the GmbH without a given minimum share capital. The UG, however, may not distribute profits in full, but has to allocate 25% of the annual net profit to the statutory reserve in order to accrue the minimum share capital of a standard GmbH by and by.

The foundation of a GmbH requires relatively few formalities by which it comes into existence as a legal entity. They have to be completed in due notarized form and can be summed up as follows:

- Conclusion of the articles of association (Gesellschaftsvertrag) by the shareholder(s)
- Appointment of the managing director(s) (Geschäftsführer) by the shareholder(s)
- Payment of the minimum company shares (Geschäftsanteile)
- Formal application (Anmeldung) for registration of the company in the commercial register
- Disclosure of certain data about the company

For uncomplicated standard foundations with at most three shareholders and one managing director, the notary public may use a standardized record (Musterprotokoll) comprising the articles of association, the appointment of the managing director and the list of shareholders.

Foundation documents are submitted in electronic form to the register court. After verification they are directly transferred to the electronically maintained commercial register. Since 2008 businesses which need approval (e.g. banking, insurance, transportation) are no longer bound to submit the corresponding license to the register court.

A GmbH may be formed by one or more shareholders (individuals, legal entities or partnerships). Where corporations or partnerships are intended to become shareholders in the German company, the following documents are required:

- Proof of the existence of the shareholding company (e.g. certified copy of an official commercial register)
- Proof of the authority of the natural persons acting for the shareholding company (e.g. certified copy of an official register showing that the acting persons are entitled to legally represent the company)

Where individuals are intended to become shareholders in the German company:

- Either the person appears before a German notary public there acting in its own name,
- or the person authorizes another person by a certified power of attorney.

The statutory seat (Satzungssitz) of a GmbH has to be in Germany, whereas the administrative seat (Verwaltungssitz) of the company may be abroad.

A GmbH is legally represented by one or more managing directors who must meet a limited range of requirements. Only natural persons with full legal capacity are eligible for this position. Persons convicted of certain criminal bankruptcy offences are not allowed to become managing directors for a period of five years from the date of their conviction. Corporate law does not require that any or all managing directors be German citizens. However, the managing director must either possess a German residence permit or, in case he/she does not intend to take up permanent residence in Germany, a multiple entry visa.

The appointment of a supervisory board (Aufsichtsrat) is only mandatory by law if a GmbH has more than 500 employees.

It takes a minimum share capital (Stammkapital) of 25,000 Euro to found a standard GmbH. Each share-holder has to take over a company share with a nominal amount of at least 1 Euro. One quarter of the share capital with a minimum of 12,500 Euro must be paid in on formation. Bank deposit receipts will only be demanded by the court in case of significant doubt whether the capital has been duly raised.

A corporation founded with a share capital less than 25,000 Euro is named 'Unternehmergesellschaft (haftungsbeschränkt)'. Notwithstanding the regulations for the GmbH, the registration of the UG (haftungsbeschränkt) can only be applied for if the share capital has been paid in full; any contribution in kind is excluded concerning the UG.

The registration in the commercial register requires a formal application to the court, filed by a notary public. The application has to be signed by all managing directors (signatures to be certified) and to contain certain information and affirmative warranties. After filing the application for registration, it takes approx. 10 days before the company is entered in the commercial register (central register portal: www.handelsregister.de). In well-founded cases of special urgency the handling time can even be further reduced. Upon registration the data of the new-established GmbH are published in the electronically maintained Federal Gazette (Bundesanzeiger/www.bundesanzeiger.de).

The foundation costs depend on the amount of the respective share capital. For a GmbH with a share capital of 25,000 Euro the notarial fees (bilingual documentation) amount to approx. 650 Euro. For the

foundation of a 'UG (haftungsbeschränkt)' by means of a standardized record, the notarial fees account for approx. 100 Euro.

In order to ensure that all legal requirements are met and to avoid time loss, advice has to be taken from a German lawyer or notary.

All business letters of a GmbH have to state the legal form, the statutory seat, the registration court and registration number, the names of all managing directors and, if the GmbH has appointed a supervisory board, the chairman of the supervisory board. On all business letters and order forms used by a foreign branch of a GmbH, the foreign company register and the registration number must be indicated.

Like any commercial trading company, a GmbH must keep proper written accounts which have to provide a realistic and accurate picture of the assets, financial position and profits of the company. An annual balance sheet and a profit & loss account must be drawn up at the end of every financial year. The annual financial statements have to be submitted in electronic form to the operator of the Federal Gazette who will publish the data and store them within the electronic Company Register (Unternehmensregister/www.unternehmensregister.de). The submission has to be made not later than 12 months after the end of the respective financial year (non-submission entails penalties) and involves the following documents:

Small companies (i.e. companies which do not exceed at least two of the following three features: € 4,840,000 balance sheet total, € 9,680,000 annual net sales, annual average of 50 employees) must submit summary balance sheets.

Medium-sized companies (i.e. companies which do not exceed at least two of the following three features: € 19,250,000 balance sheet total, € 38,500,000 annual net sales, 250 employees) must submit summary balance sheets, a summary profit & loss account and a situation report.

Large companies (i.e. companies which do exceed at least two of the above last-mentioned three features) must submit their entire annual accounts and a management report.

The annual financial statements of medium-sized and large companies must be audited by an independent auditor.

The above regulations refer as well to autonomous branch offices of foreign Limited companies.

A GmbH is considered insolvent when it cannot pay its debts or when the liabilities exceed the value of the assets. In this case of over-indebtedness (Überschuldung) the managing directors must file for insolvency with the local court within 3 weeks. Otherwise they may be held personally liable and subjected to criminal proceedings.

2 TAXATION

Germany has a complex tax system which comprises federal, state and municipal taxes. German taxes are often grouped into:

- Taxes on income
- Taxes on capital
- Taxes on transactions and on consumption (excise taxes)

The taxes on income are represented by the personal income tax (Einkommensteuer) levied on natural persons, sole proprietors and partners of a partnership, the corporate income tax (Körperschaftsteuer) on the profits of corporations, the capital gains tax (Kapitalertragsteuer) and the trade tax (Gewerbesteuer) on the business profit earned by any business regardless of its legal form. The personal and corporate income tax and the capital gains tax are supplemented by a surcharge, the so-called solidarity surcharge (Solidaritätszuschlag).

After the abolition of net assets tax and trade tax on capital towards the end of the last century, the real estate tax (Grundsteuer) is now the only significant remaining tax levied on business assets.

The transactions and excise taxes are often referred to as 'indirect taxes' and are represented first and foremost by the value added tax VAT (turnover tax / Umsatzsteuer), followed by excise taxes on fuel oil, tobacco, alcohol etc., insurance tax, and real estate transfer tax (Grunderwerbsteuer) levied on changes in ownership of property.

The Fiscal Code (Abgabenordnung) specifies that international obligations shall take precedence over domestic law. This not only refers to the fact that EU community law prevails over national law, but also to Germany's wide network of double tax treaties which are currently in force with over ninety countries.

Generally, residents of Germany are subject to tax on their worldwide income (unlimited tax liability / unbeschränkte Steuerpflicht). Individuals not resident in Germany are subject to tax only on income derived from German sources (limited tax liability / beschränkte Steuerpflicht). For tax purposes, individuals are considered to be resident in Germany if they have their domicile in the country or are present in Germany for a period of more than six months.

The most important taxes for individuals and foreign corporations investing in Germany are:

Personal Income Tax

Personal income tax is paid by natural persons, sole proprietors and partners of a partnership, providing their liability for income tax is unlimited.

The taxable income within one calendar year results from the total income minus certain personal expenses and a tax allowance (Grundfreibetrag) of € 8,354 for singles and € 16,708 for married taxpayers.

The progressive income tax, laid down in income tax tables (Einkommensteuertabellen), provides a minimum tax rate of 14 % for taxable incomes from € 8,355 p.a. for singles and € 16,709 p.a. for married taxpayers.

The maximum tax rate of 42 % is applicable from a taxable income of € 52,882 resp. € 105,764 p.a. For a taxable income of more than € 250,730 (singles) resp. € 501,460 (married taxpayers) p.a. the maximum tax rate rises to 45 %.

Corporate Income Tax

Corporate entities whose statutory or administrative seat is located in Germany are subject to corporate income tax on their global income. The tax rate is 15 %.

Capital Gains Tax

Capital income includes income from all interest earned, dividends, speculation gains and proceeds from the sale of private capital assets (e.g. investment shares, participations in corporations). A liability for tax arises at the point at which the capital income accrues to the creditor. The capital gains tax (Kapitalertragsteuer) is a final withholding tax (Abgeltungsteuer) at a uniform rate of 25 % (plus the solidarity surcharge). Due to various international regulations, a full or partial relief from capital gains tax is - under certain conditions - possible for non-residents.

Solidarity Surcharge

In addition to the aforementioned tax rates, a solidarity surcharge of 5.5 % of the personal income tax, corporate income tax and capital gains tax is currently imposed on all taxpayers.

Trade Tax

The income of a company is additionally subject to a municipal trade tax which is calculated in a quite complicated way. By certain specific additions and subtractions the company profits are adjusted to the 'trade earnings'. 3.5 % of the trade earnings, being the 'tax multiplicand', are multiplied by the trade tax multiplier fixed by the local authority. The resulting amount is the trade tax owned. From the tax year 2008 trade tax is no longer deductible as operating expenditure.

Sample Tax Computation for a Corporation:

Profit before tax	100.00
Trade tax (at local rate of 460 %)	16.10
Corporate income tax (15 %)	15.00
Solidarity surcharge (5.5 % of the income tax amount)	0.83

Profit after tax / gross dividend	68.07
Capital Gains Tax (Abgeltungsteuer 25 %)	17.02
Solidarity surcharge (5.5 % of the tax amount)	0.94
Net dividend received by shareholder	50.11

The following taxes affect individual earnings from employment:

Personal earnings are subject to income tax, solidarity surcharge, and, if applicable, church tax (Kirchensteuer, for members of the Roman Catholic, the Lutheran and the Reformed Protestant churches). The wage tax (Lohnsteuer) withheld from monthly wages and salaries by the employer, is to be seen as a prepayment of the personal income tax.

The income tax provides basic rates for single persons and lower 'splitting-rates' for married persons in case the spouse is also living in Germany. If the taxpayer has children, special tax allowances are granted to him.

Monthly child benefits (€ 184 each for the first and second child, € 190 for the third child, € 215 for each additional child) will be paid upon application with the family department (Familienkasse) of the local employment agency (Agentur für Arbeit). Additionally, parents of children born after 31 July 2012, who received parental leave allowance (Elterngeld) and will not make use of state-funded or state-aided childcare facilities, qualify for a childcare subsidy (Betreuungsgeld). The monthly subsidy for children aged between 15 and 36 months amounts to € 150. Application forms are available from citizen service centers.

For a sample general tax calculation on individual earnings from employment, please refer to the table shown under 3 Social Security.

Other Taxes:

Value Added Tax: Goods and services supplied by a company within Germany are subject to turnover tax (VAT). Since January 2007, the VAT rate is 19 %. A reduced rate of 7 % applies in particular to food (except in restaurants), hotel overnight stays, books, flowers and certain services. The amount of turnover tax payable to the tax office is reduced by any amounts of turnover tax previously invoiced to the company by suppliers.

The import of goods from countries outside the EU into Germany is subject to a 19 % import turnover tax (Einfuhrumsatzsteuer). Intra-community acquisitions are subject to acquisition tax (Erwerbsteuer). Both taxes are also deductible for companies. The export of goods is exempt from VAT.

Real Estate Tax: All domestic real estate is subject to real estate tax. The rate is fixed locally and generally lies within the range of 1 % to 2 % of the taxable value of the site which in most cases is significantly below the market value. The tax is payable in quarterly instalments and is deductible as business expense.

The Real Estate Transfer Tax arises in case of the sale or other transfer of land and buildings.

Further information is available from the Federal Central Tax Office (Bundeszentralamt für Steuern) on www.bzst.de/EN/SIC/sic_node.html

3 SOCIAL SECURITY

The German social security system provides for

- Pension Insurance (Rentenversicherung)
- Statutory Health Insurance (Gesetzliche Krankenversicherung)
- Unemployment Insurance (Arbeitslosenversicherung)
- Care Insurance (Pflegeversicherung)
- Employers' Liability Insurance (Berufsgenossenschaft / Unfallversicherung)

In general, all employees working in Germany are subject to mandatory insurance, regardless of their citizenship or the residence of the employer. Apart from the employers' liability insurance (statutory accident insurance) which is borne in full by the employer, the contributions to the insurance are

largely paid in equal amounts (exceptions see below) by employer and employee. Basis for the contributions are the employee's earnings. The employer's portion is not considered taxable income of the employee. The employer is liable for the total payment of the contributions to the social security institutions and has to withhold the employee's portion from wages or salaries.

Employees temporarily delegated by a foreign employer to a German branch or subsidiary are in special cases exempt from German social security. In such case, the employee must be able to prove his/her intention to return to the home country and must remain on the foreign payroll, and the foreign employer must retain the crucial employer functions such as the determination of salary, promotion, transfer etc.

Pension Insurance

In 2015, combined employer- and employee contributions amount to 18.7 % of the employee's monthly gross earnings. The maximum insurable earnings amount to € 6,050 p.m. (€ 72,600 p.a.) in the western federal states, and to € 5,200 p.m. (€ 62,400 p.a.) in the eastern federal states. The maximum amounts are increased annually.

Under German law no pension payments are made to non-resident aliens. However, an expatriate leaving Germany may apply for a refund of the employee portion of the contributions made to the German pension scheme at any time two years after the last contributions were payable.

Health Insurance

With effect from 2015, the income-related general contribution rate of statutory health insurance amounts to 14.6 %, equally shared between employee and employer. For the employee, however, this amount is supplemented by an income-related extra premium which is fixed by the individual insurance companies. On an average this extra premium will amount to 0.9%.

Statutory health insurance covers the employee and family members as long as those have no separate income. Benefits provided include medical and dental treatment, prescribed medicine, preventive examinations, maternity care, hospitalization and surgery. In addition to the monthly contribution, the following co-payments have to be made by the insured:

- 10 % of the costs of prescription medicine (minimum € 5.00, maximum € 10.00)
- € 10.00 daily hospital fee (for maximal 28 days) on occasion of stationary treatment

Statutory insurance coverage is mandatory for employees up to a certain maximum amount of earnings which is currently € 4,575 p.m. (€ 54,900 p.a.). Employees earning more than the aforementioned maximum amount may voluntarily contribute to the state scheme or obtain coverage through private health insurance. In general, they are then legally entitled to a tax-free reimbursement from the employer of 50 % on the premiums. Premiums of private health insurance are determined depending on age, profession and state of health of the insured. Contrary to the statutory health insurance, a separate premium becomes due for every insured person.

Unemployment Insurance

Unemployment insurance provides benefits in the case of termination of employment and part-time lay-offs due to a reduced level of production. In 2015, monthly contributions amount to 3 % of earnings up to € 6,050 p.m. (€ 72,600 p.a.) in the western federal states and up to € 5,200 p.m. (€ 62,400 p.a.) in the eastern federal states.

Care Insurance

The care insurance aims to secure the employee financially against the risk of becoming dependent on care or permanent attention. Presently, the combined employer- and employee contributions amount to 2.35 % of the monthly gross salary. Childless employees have to pay an additional premium surcharge of 0.25 percentage points (i.e.: employer = 1.175 %, childless employee = 1.425 %).

Employers' Liability Insurance

The employers' liability insurance associations (Berufsgenossenschaften) provide benefits in case of occupational diseases and injuries suffered on the job or on the way to or from work. The contributions vary with the degree of risk in a particular job and range from 1 % to 4 % of the payroll. The cost is borne in full by those employers who are mandatory members of the employers' liability insurance associations for their particular industry.

4 LABOR LAW

Minimum Wage

On January 1, 2015 Germany introduced a nationwide minimum wage law (Mindestlohngesetz MiLoG). It stipulates a minimum gross wage of €8.50 per hour. Employers are required to take records on performed working hours.

Working Hours

The Working Hours Act (Arbeitszeitgesetz ArbZG) provides for a maximum working time of 8 hours per weekday (Werktag, i.e. every day other than Sunday or legal holiday). Exceptional regulations may allow up to 10 hours per day provided that within a period of 6 calendar months or 24 weeks an average of 8 hours per weekday is achieved. Average working hours are 40 per week. Overtime hours of wage earners have usually to be covered by extra payments or compensated with time-off.

Part-time Work

Full-time employees whose employment relationship has exceeded 6 months can request to work part-time provided the employer regularly employs more than 15 people. The employer has to accept this request unless he regards it as not feasible for operational reasons.

Employees in marginal employment (mini-jobbers, see below) are considered as part-time employees.

Holidays

The corresponding federal law (Bundesurlaubsgesetz BUrlG) stipulates a minimum of 24 weekdays (Werktage) annual leave during which employees are entitled to wage/salary. At a working week of 5 working days the minimum holiday entitlement consequently adds up to 20 working days. Collective agreements (Tarifverträge) may, however, provide for paid holidays of up to 30 working days or more and for the payment of an additional holiday bonus.

Sickness

Employees have a legal right to the continued payment of wage/salary in the event of sickness for a period of 6 weeks. Afterwards further payments are made from health insurance.

Mini-Jobs

Special regulations apply to persons in marginal employment (geringfügige Beschäftigung / Mini-Job) whose regular monthly salary is not exceeding €450.

In compliance with the minimum wage law (see above), the working hour limit is 52 hrs per month resp. 12 hrs per week. Employers are required to take precise records on performed working hours.

Mini-job holders are exempt from mandatory health and unemployment insurance. They are, however, basically subject to insurance obligation in the statutory pension scheme, but may apply for an exemption from this mandatory coverage. In principle, the full pension contribution is to be paid when the monthly salary from employment is at least €175. The employer's share amounts to 15 % of the salary, the mini-job holder bears the remaining difference between the current full contribution of 18.9 % and the employer's share. In case the employee wishes to be exempted from the pension insurance, he/she has to address a corresponding written application to the employer. In such case, the employer still has to pay the flat duty of 15 %, only the co-payment of the mini-job holder becomes inapplicable.

The employer is obligated to register the marginal employment with the Mini-Job Center (Mini-Job-Zentrale/www.minijob-zentrale.de) and the statutory accident insurance (employers' liability insurance).

The flat duties to be paid by the employer total to 30.84 % of the salary (15 % pension insurance, 13 % health insurance, 2 % flat-rate tax, 0.84 % prorated contribution). In addition the contribution to the accident insurance becomes due. The health insurance duty is payable only for mini-jobbers who are members of the statutory health insurance, but does not become due in case the employee has a private health insurance.

An employment with a monthly salary between € 450 and € 850 is called a 'Midi-Job'. In this case the employee is insurance-liable, but at reduced contributions (starting at approx. 15 % for a salary of € 450.01 up to approx. 20 % for a salary of € 850). The employer has to pay full social security contributions.

Employees in marginal employment are considered as part-time employees. Therefore, they basically have the same rights as full-time employees. The relevant labor-law provisions (holidays, sickness etc.) have to be observed by the employer.

Maternity Protection

During a period of 6 weeks prior to the childbirth, pregnant women are released from their obligation to perform work, and after the childbirth, mothers may not be employed for a period of at least 8 weeks. During this protected period, mothers are entitled to be paid maternity pay equivalent to the average income earned prior to pregnancy (largely paid from health insurance). Any termination of the employment relationship by the employer is invalid during the pregnancy and for 4 months after the childbirth.

Following the protected period, the mother and/or the father can take parental leave (Elternzeit) jointly for all or part of the maximum duration of 3 years. Each parent who takes parental leave may work up to 30 hours a week. This rests on the provision inter alia that the employment relationship must have exceeded 6 months and that the employer regularly employs more than 15 people.

Termination

According to § 622 German Civil Code (BGB) the legal period of notice is 4 weeks towards the 15th or the end of a calendar month. On the part of the employer, notice periods are extended according to the duration of the employment. In companies with more than 10 full-time employees the Dismissal Protection Law (Kündigungsschutzgesetz KSchG) provides protection against wrongful dismissal for those employees whose employment relationship has exceeded 6 months. In such case, a notice of termination becomes valid only if it appears socially justified (personal reasons regarding the employee's conduct or urgent business reasons). The employee has the right to appeal to the labor court within 3 weeks after receipt of notice. In case the labor court confirms the termination due to urgent business reasons, the employer may be required to pay a compensation to the employee. Exceptional dismissal without notice is only possible if there is a reasonable and important cause due to the behaviour of the employee.

Works Council

In companies with at least 5 permanent employees a works council (Betriebsrat) may be elected at the request of one or more employees. The works council has the right of co-determination in certain social matters and personnel decisions and the right to information on specific economic matters. The election of a works council cannot be prevented by the employer, and it is not possible to terminate members of a works council.

5 RESIDENCE TITLES

EU Nationals

In compliance with the Freedom of Movement Act/EU, residence and work permits are abolished for EU citizens and citizens of Iceland, Liechtenstein, Norway and Switzerland. EU citizens have the right to enter, reside and work in any EU member state and - for stays of less than 3 months - only require a valid identity document or passport. Family members who do not have the nationality of a member state enjoy the same rights as the citizen who they have accompanied.

Upon taking up residence in Germany resp. after 3 months at the latest, EU citizens are required to register with the relevant registration authority. Non-EU family members will then receive a 'residence card' (Aufenthaltskarte).

After an uninterrupted legal residence of 5 years and provided that no expulsion decision has been enforced, EU nationals acquire the right of permanent residence which is attested by the 'Bescheinigung des Daueraufenthalts'. The corresponding certificate for non-EU family members is called 'Daueraufenthaltskarte'.

Non-EU Nationals

Citizens from non-EU states who want to stay in Germany for more than 3 months need a permit (residence title) to do so. Before entering Germany they have to obtain a corresponding visa from the competent mission abroad (Embassy or Consulate General). Only citizens of Australia, Canada, Israel, Japan, New Zealand, the Republic of Korea, and the United States of America may obtain any residence permit after entering Germany.

Visa applications must be approved by the foreigners' authority of that place in Germany where the applicant intends to take up residence. The approval procedure usually takes at least 3 months.

Different Types of Residence Titles

Residence Permit

The residence permit (Aufenthaltserlaubnis) is inter alia granted to persons who want to undergo training in Germany or intend to take up gainful employment either as a self-employed person or as a salaried employee (see below). It is issued for a limited period of time and can be extended in consideration of pertinent circumstances.

Settlement Permit

To obtain the unrestricted permanent settlement permit (Niederlassungserlaubnis), the applicant must inter alia have had a residence permit for 5 years, be able to secure the financial independence of himself/herself and his/her family members, been appropriately contributing to a pension scheme and have a good knowledge of the German language.

Residence and settlement permits become invalid if the holder leaves Germany and fails to re-enter within six months or within a longer period set by the foreigners' authority.

EU Blue Card

Academics with a recognized university degree or equivalent qualification who enter into an employment with a salary of at least € 48,400 p.a. (resp. € 37,752 p.a. for shortage occupations like engineers), are entitled to the EU Blue Card, a single residence and work permit.

Blue Card holders who can prove that they have been in qualified employment over a period of 33 months (resp. 21 months with language skills at level B1) and have been contributing to the statutory pension insurance are entitled to a permanent settlement permit.

Learn more: www.bamf.de/EN/Infothek/FragenAntworten/BlaueKarteEU/blaue-karte-eu-node.html

German university graduates from non-EU states are allowed to stay in Germany for 18 months after graduation, giving them the chance to find a job that fits their academic qualifications. If they succeed they will be given the Blue Card after 2 years of employment.

Permanent EU Residence Permit

This permit entitles the holder to mobility within the European Union by granting a right to a limited residence title in the other member states. The conditions of its issue are closely based on those of the settlement permit.

Electronic Residence Title

In accordance with relevant EU regulations, the electronic residence title (Elektronischer Aufenthaltstitel eAT) in credit card form has replaced former passport labels. Existing residence titles in passports and substitute identity papers retain their validity until 31 August 2021.

The eAT has a contactless chip inside the card on which biometric characteristics (photo and fingerprints), personal data and supplementary specifications are stored. It can be used as an electronic identity document as well as a qualified electronic signature. The use of these on-line identity functions is voluntary and can be switched on and off on request.

The eAT is produced by the Bundesdruckerei (Federal Printing Office) in Berlin and the issuing takes at least 4 weeks. Furthermore it has to be observed that the validity of a residence title is dependent on the validity of the applicant's passport.

Application Process.

Different procedures apply depending on the nature of the particular application.

Work Permit

Non-EU citizens may only work in Germany as a salaried employee if this is explicitly noted in their residence permit. As a rule the potential German employer will arrange a prior examination by the Central Placement Office (ZAV Zentrale Auslands- und Fachvermittlung) of the German Federal Employment Agency (Bundesagentur für Arbeit). After a positive review ZAV will provide a corresponding confirmation to be presented to the Embassy or Consulate General abroad.

Learn more: www.make-it-in-germany.com/en

Residence Permit for Self Employment

Executive employees, i.e. managing directors (Geschäftsführer) and authorized signatories (Prokurist) of German corporations are considered as self-employed persons and do not require a separate work permit. The German Residence Act (Aufenthaltsgesetz, § 21) provides that a residence permit can be granted if there is an overriding economic or specific regional interest and the investment has positive effects on the economy. In most cities, this assessment is conducted by the local Chamber of Commerce.

How to apply for a Residence Permit for Self-Employment

- Entry into Germany with a business visa
- Filing of application documents (incl. resume & certificates on educational qualifications, business and financing plan, proof of financial resources) with the Chamber of Commerce
- Personal interview with the responsible coordinator of the Chamber of Commerce
- Transfer of the application documents and a written statement of the Chamber of Commerce to the foreigners authority
- Return of applicant to home country and filing a formal application with the competent German mission abroad (embassy and consulate visa sections)
- Upon approval by the foreigners authority, receipt of a preliminary 3 months' visa
- Re-entry into Germany within 3 months
- Registration of a private domicile to receive the registration certificate (Meldebestätigung)
- Filing an application for the electronic residence title with the foreigners office (provision of biometric photos, fingerprints, registration- and health insurance certificates)
- Receipt of another preliminary residence permit (Fiktionsbescheinigung) to allow the foreigners office to transmit the data to the federal printing office in Berlin
- After approx. 4 weeks notification from the federal printing office about the PIN No. and its use
- Subsequently: receipt of the electronic residence title at the foreigners office

Learn more: Federal Office for Migration & Refugees

www.bamf.de/EN/Willkommen/Aufenthalt/aufenthalt-node.html Legislation: Residence Act
www.gesetze-im-internet.de/englisch_aufenthg/index.html

6. FURTHER INFORMATION ON GERMANY

International Time

Germany is located in the same time zone as the rest of continental Western Europe, i.e. one hour in advance of Coordinated Universal Time (UTC+1:00). Daylight saving time (summer time / UTC+2:00) is in force from the end of March (in 2015: March 29) to the end of October (in 2015: October 25).

Climate

Germany is situated in the moderately cool west wind zone between the Atlantic Ocean and the continental climate in the east. The climate is temperate. Sharp changes in temperature are rare.

Language

The official language is German, additionally numerous dialects are spoken throughout the country. English is the dominant foreign language and is definitely understood and spoken fluently by business people with international interests.

Correspondence of public authorities and relevant institutions as well as contracts, service agreements and bills are generally issued in German only.

Business Hours

For commercial offices, the working day is eight hours, typically from 8 am to 5 pm incl. one hour lunch break. Many German companies have flexible working hours, i.e. employees start working between 7 and 9 am and leave the office between 4 and 6 pm.

Opening hours of banks differ and depend on the location. In larger cities, most banks are open as follows: Monday to Wednesday from 9.30 am to 5 pm, Thursday from 9.30 to 6 and Friday from 9.30 to 1. Cash machines are widespread throughout the country.

Dedicated post office branches are mostly open from Monday to Friday from 9 to 1 and from 3 to 6 and on Saturday from 9 to 1. New post offices are part of a stationery store or a supermarket. Their business hours have accordingly been adjusted to the store's shop hours.

On Sundays and public holidays, only shops at railway stations and airports are open as well as some pharmacies and shops at petrol stations on a reduced range of goods. Kiosks, bakeries and flower shops may be opened for three hours. All other shops are closed on Sundays and public holidays.

On 24 December (Christmas Eve) and on 31 December (New Year's Eve) - if these days fall on weekdays - shops have to close at 2 pm at the latest.

Dates and Numbers

Dates are written in the order of day, month, year. The 1st of March 2015 is usually written 01.03.2015. When writing numbers, points denote the thousands and the comma is used to denote the decimal place.

Currency

The EURO is the single currency of currently 19 European Union countries, namely Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain. EURO banknotes and coins have been in circulation since 1 January 2002 and are now a part of daily life for more than 337 million Europeans living in the EURO area.

EURO coins exist in eight different denominations: 1, 2, 5, 10, 20 and 50 cents, 1 € and 2 €. There are seven different EURO banknotes: 5, 10, 20, 50, 100, 200 and 500 €.

SEPA

Since entry into force of the Single Euro Payments Area (SEPA), new uniform procedures concerning cashless payment transactions are introduced throughout the EU, the EFTA (Iceland, Liechtenstein, Norway, Switzerland) and Monaco. In Germany, the International Bank Account Number IBAN, consisting of 22 digits, replaces the former account number and bank code (Bankleitzahl) as customer identification for bank transfers and direct debits. For cross-border transfers to one of the 33 SEPA countries, the BIC (Business Identifier Code) is additionally to be indicated, but only until 31 January 2016.

Learn more: www.bundesbank.de/Navigation/EN/Tasks/Payment_systems/SEPA/sepa.html

Radio and TV Fee

German households as well as resident companies have to pay statutory Radio and TV Contributions (Rundfunkbeitrag).

For companies, the amount of the monthly contribution depends inter alia on the number of employees (e.g.: headcount 0 to 8: €5.83 p.m., 9 to 19: €17.50 p.m., etc.). Registrations are to be made unsolicitedly. Forms are available from banks and public authorities or online at www.rundfunkbeitrag.de/formulare/unternehmen_und_institutionen/anmelden/index_ger.html

Travelling with German Rail

If you are travelling less than 500 kilometers (310 miles) within Europe, train travel usually offers time advantages in comparison to air travel. All German big cities are connected to each other within several hours' train ride and you will always arrive directly in the city center. This saves you the time of travelling from airports that lie outside of the main center to the city's center.

- ICE (Intercity-Express) is the fastest and most comfortable way to travel on the DB Bahn network, reaching speeds of up to 320 km/h (200 miles/h). ICE operate between several major

cities including international destinations in Switzerland, Austria, Belgium, and the Netherlands. Cross platform interchanges from ICE to ICE are possible at many stations.

- IC and EC trains connect major cities, reaching speeds of 200 km/h (124 miles/h). Both Intercity and Eurocity trains run frequently, either every hour or two hours depending on the destination. Intercity trains run exclusively in Germany, while Eurocity trains reach neighboring European countries.

The following local trains are available in Germany:

- The Regional-Express (RE) connects cities and offers travel in comfortable modern trains. It leaves at regular intervals and links local to long-distance trains.
- The Regionalbahn (RB) offers a basic service from all local stations. It provides the connection between the regions and city centers and also connects to the Regional-Express.
- The S-Bahn services high-density areas, leaving in quick, regular intervals. Some S-Bahn stations have access to longer distance regional trains.

For additional or specific information, please visit DB Bahn on www.bahn.com

Entry Requirements

The Schengen visa (category "C") entitles the holder to visits of up to 90 days every six months in the entire Schengen area and to travel for tourist and business purposes throughout the 26 Schengen visa member countries, comprising 22 EU member states and 4 EFTA member states.

Annual multiple entry visas are as a rule only issued to persons who have already been to Germany or other Schengen states several times in the past and whom the mission abroad considers to be particularly trustworthy. Regardless of the length of validity, visas only entitle the holder to a maximum stay of 90 days per six-month period, calculated from the date of first entry.

The Schengen countries are: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland (EFTA), Italy, Latvia, Liechtenstein (EFTA), Lithuania, Luxembourg, Malta, Netherlands, Norway (EFTA), Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and Switzerland (EFTA).

The following EU member states are no Schengen countries: Bulgaria, Croatia, Cyprus, Ireland, Romania and the United Kingdom.

For stays of more than three months or stays leading to gainful employment, all foreigners require appropriate residence permits. Exemptions apply to EU and EFTA citizens. Nationals of Australia, Canada, Israel, Japan, New Zealand, the Republic of Korea and the United States of America may obtain any residence permit after entering Germany.

Learn more: www.auswaertiges-amt.de/EN/EinreiseUndAufenthalt/UebersichtNavi.html

Useful Links

- Germany Trade & Invest: www.gtai.de/GTAI/Navigation/EN/trade.html
- Welcome to Travel Destination Germany: www.germany.travel/en/index.html
- Deutschland Portal: www.deutschland.de/en
- Facts about Germany: www.tatsachen-ueber-deutschland.de/en
- Welcome to Germany: www.bamf.de/EN/Willkommen/willkommen-node.html
- Make it in Germany: www.make-it-in-germany.com/en
- European Union: <http://europa.eu>
- German Federal Statistical Office: www.destatis.de
- Common Statistics Portal: www.statistikportal.de/Statistik-Portal/en

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