



NEWS INTERNATIONAL

E-MAIL NEWSLETTER
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Dear Sir/Madam,

The German tax legislator has set itself the goal of fighting tax avoidance strategies in cross-border cases. The reasons for this are transactions with shell-companies, particularly after the publication of the so called “Panama Papers”. Mid-2017 the German tax legislator adopted a tax act to combat tax avoidance (“Steuerumgehungsbekämpfungsgesetz”) which is a direct response to such tax structures. The rules involve new disclosure requirements, tighter obligatory reporting, extended liability regulations and offences which are applicable for taxpayers and banks.

A taxpayer’s commitment abroad - for example the setting up of businesses or permanent establishments and investing in other companies - was already subject to obligatory reporting in the past. However, reporting requirements regarding investments, particularly in foreign corporations, **now** start with a shareholding of **10%** including direct and indirect investments (in the past the threshold for indirect investments was 25 %). As to the acquisition costs, the threshold of 150.000 EUR remains unchanged.

Reporting is also now necessary in the case of a connection with a so-called **“third-country company”**, a company which has neither statutory seat nor place of management within the EU or EFTA. The notification duties already apply if the taxpayer can exercise - alone or together with related parties - **dominant or decisive influence** on the “third-country company”. In this context it is not required that an interest in the “third-country company” is held.

The newly implemented reporting obligations apply for transactions taking place as of 1 January 2018. However, the “third-country company” notification obligation also applies to already existing cases of holdings with a dominant or decisive influence on the company existing before 1 January 2018 and still continuing.

The notification must be made when the relevant tax returns are filed, but no later than 14 months after the end of the taxable period in which the reportable event took place. This period may **not** be extended.

Neglectful or intentional violation of the reporting regulations (e.g. failure to report, incomplete or delayed reporting) will be assessed as an **administrative offence**. A fine of up to EUR 25,000 can be imposed.

Accompanying measures include the tightening of tax evasion rules. Furthermore the tax act enables the tax authorities to request information from the banks - including in the form of collective information requests. With the abolition of the current banking secrecy (!), the tax authorities are facilitated to determine tax-relevant facts.

The new reporting requirements must be kept in view in order to avoid high penalties or even the accusation of tax evasion. Please do not hesitate to contact us. We will be happy to advise and assist you.

Best regards

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The author

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Dr. René Schäfer completed his degree in Business Administration at Saarland University in Saarbrücken in 1999 as a Business Administrator. At the same time, he received the Diploma of the Ecole Supérieure de Commerce, Lyon after one year of study in France.

In July 2007, Dr. Schäfer was made a person with full commercial power of attorney and on January 1st, 2011, he was accepted as a partner.

In July 2015, he was made an Honorary Professor in the subject of Business Administration at Saarland University.

In 2003, he received a doctorate at the Chair for Business Management Studies, particularly Business Taxation from Univ.-Prof. Dr. Heinz Kussmaul on the subject of "Taxation of a German-French company". Dr. Schäfer completed the examination for Tax Consultants in 2005. Since 2008, he has also possessed the title of "Specialist Advisor for International Tax Law".

Specialisation:

International tax law /
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In mid-February 2005, Dr. Schäfer began working as an employee in the tax department of DORNBACH GmbH, Saarbrücken branch.

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Company presentation



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