

LÜBECK  Business Development Corporation

Branch Office



Branch Office

A branch office (German: “Niederlassung”) is the choice of legal form if you want to start business activities from another location than Lübeck. Basically you can select from two types of branch offices, the independent branch office or the dependent branch office (German: “Betriebsstaette”). Both are explained in more detailed here.

an own management led by a manager who represents the branch office in business on his own, an own accounting system including own annual balance sheets (German: “Bilanz”) as well as an own capitalisation throu working capital (no minimum amount has been fixed).

Although the independent branch office is characterized by a certain degree of independence, it is not treated as a separate legal person. The inner constitution and the business relationships are based on the legal form of the parent company. If the parent company is a foreign registered company, German law is applicable for business relationships in Germany.

Independent branch offices have to be listed on the Register of Companies (German: “Handelsregister”) where the branch office is located. The name of the enterprise must be exactly the name of the parent company including the legal form. You might add an annex like “Branch Office Lübeck” (German: “Niederlassung Lübeck”). Apart from the Register of Companies, the branch office has to register with the local business registration office (German: “Gewerbemeldestelle”).

Dependent Branch Office

Plants are always considered to be dependent branch offices. In contrast to independent branch offices they are characterized by no capital capitalisation, no independent account and no independent business. The plant is only

Setting-up a business needs careful preparation - this fact sheet delivers the necessary background information



As the name suggests independent and dependent branch offices are distinguished by the degree of dependence from the parent company. Usually a plant is completely dependent on the parent company while the independent branch office enjoys some degree of independence as set out in the Germany Commercial Code (§ 13 ff. HGB).

Independent branch office can only be founded by a parent company led by business principles resulting in the fact that small trade enterprises and partnerships at will (German: “GbR”) can only found dependent branch offices.

Independent branch offices

Independent branch offices enjoy a certain degree of independence from their parent company which is expressed by

geographically separated from the parent company, but not organisationally.

Dependent branch offices do not need to be registered with the Register of Companies but needs registration with the local business registration office.

Taxation

As a general rule business profits and revenues of the branch office are subject to taxation in Germany. The base for the profit tax (income tax or corporation tax) depends on the legal form of the parent company (partnership company or capital company). To avoid double taxation (that is taxation in Germany as well as in the home country of the parent company) Germany has entered into several double taxation agreements (German: "Doppelbesteuerungsabkommen") with a number of countries. Since the exact agreements depend from state to state, please check the internet pages of the Federal Finance Office German: "Bundesamt für Finanzen").

Apart from profit tax, branch offices need to pay sales and business taxes in Germany.

This FactSheet has been prepared by Wirtschaftsförderung LÜBECK GmbH. Its aim is to provide background information for setting up and running a business in Germany in compliance with legislation

in force in July 2006.

It is written in general terms and is not intended to be comprehensive. Before taking decisions professional advice should be sought