

## Value added tax

Sales tax is also known as value added tax. It taxes sales by entrepreneurs that are carried out in Germany. The tax debtor is the entrepreneur. There are exceptions to this.

### Competent Department

- [Zentrale Informations- und Annahmestelle \(ZIA\) Bremerhaven](#)
- [Zentrale Informations- und Annahmestelle \(ZIA\) Bremen-Vegesack](#)
- [Zentrale Informations- und Annahmestelle \(ZIA\) Bremen](#)
- [Dienstleistungszentrum Finanzen](#)

### Basic information

In economic terms, VAT is to be classified as a consumption tax. It is designed to be borne economically by the consumer (end user). However, the obligation to calculate and pay VAT to the tax office is not the responsibility of the individual consumer, but of the business. On the other hand, entrepreneurs have the option of reclaiming the VAT invoiced to them by other entrepreneurs as input tax from the tax office when they purchase services for their company, so that the entrepreneurs are not economically burdened with VAT. This option to deduct input tax depends on the type of economic activity.

The turnover is taxed unless a tax exemption applies. Turnover includes

- Deliveries (e.g. sales of goods) and
- other services (e.g. consultancy services, repair work, letting and leasing),
- intra-Community acquisitions (e.g. purchases of goods from other EU member states),
- free transfers of value.
- the importation of goods (handling of taxation by customs)

Tax exemptions are only possible under certain strict conditions, in some cases separate certificates are required.

The general VAT rate (= standard tax rate) is 19% and the reduced tax rate is 7%. VAT is calculated by applying the respective tax rate to the so-called assessment basis.

In principle, the entrepreneur is liable for VAT. However, VAT is only charged if the entrepreneur is not a so-called small business.

## Procedure

As a rule, the entrepreneur must submit advance VAT returns electronically for a monthly or quarterly advance return period, in which he must calculate the VAT himself. The calculated tax must be reported as an advance payment by the 10th day after the end of the advance return period and paid to the tax office (due date). After the end of each calendar year, an annual VAT return must always be submitted by May 31st of the following year. From the 2011 tax period, the annual VAT return must also be submitted electronically.

## Legal bases

- [Umsatzsteuergesetz \(UStG\)](#)

## More information

The federal and state tax administrations have developed a procedure for the electronic transmission of tax return data (ELSTER) to the tax offices. The free ElsterFormular software is available for VAT returns and advance VAT returns.

You also have the option of submitting your advance VAT return via the ElsterOnline portal.

## What deadlines must be paid attention to?

The advance return for VAT must be submitted electronically by the 10th day after the end of the advance return period (calendar month or calendar quarter). The advance payment is due on the 10th day after the end of the advance return period.

The annual VAT return must be submitted in paper form by 31 May of the following year or electronically as of the 2011 taxation period.

The entrepreneur is obliged to submit a VAT return for each calendar year. In doing so, it must be calculated itself whether and how much turnover tax is to be paid or whether a surplus of input tax arises. With this declaration of the annual tax, the advance VAT returns already submitted are summarised and, if necessary, corrected. In principle, the entrepreneur is legally obliged to transmit the advance return for VAT to the tax administration electronically.

# Frequently asked Questions

- **What are the tax rates?**

The general tax rate, to which most sales are subject, is 19 percent, and the reduced tax rate is 7 percent. The two tax rates are specified in § 12 UStG ( [http://www.gesetze-im-internet.de/ustg\\_1980/\\_12.html](http://www.gesetze-im-internet.de/ustg_1980/_12.html) ).

- **To which services is the reduced tax rate applied?**

The reduced tax rate applies in particular to the supply, import and intra-Community acquisition (purchase from other EU countries) of many foodstuffs. Almost all beverages, as well as numerous restaurant sales, are exempt. Ready-to-eat meals can be supplied both as part of a supply taxed at a reduced rate, if applicable, and as part of another service not taxed at a reduced rate.

In particular, the following products and services are taxed at 7 percent:

- many agricultural products
- many books, newspapers and magazines
- some medical and nursing goods (e.g., wheelchairs, prostheses, and other "body substitutes")
- self-created works of art (e.g., personal drawings, paintings, and sculptures).
- dental services
- entrance fees for cultural events
- services provided by charitable, benevolent and church institutions
- local public transport for journeys of up to 50 km
- short-term overnight stays
- entrance fees for swimming pools
- the granting, transfer and exercise of rights arising from copyright law
- film screenings

A detailed list of all goods that are taxed at a reduced rate can be found in Annex 2 to Section 12 (2) of the VAT Act ( [http://www.gesetze-im-internet.de/ustg\\_1980/anlage\\_2.html](http://www.gesetze-im-internet.de/ustg_1980/anlage_2.html) ).

The above list can only provide a rough overview of the goods and services concerned. Since the distinction between reduced and general tax rates is very detailed in detail, the legal basis should be checked again in any case before invoicing at the reduced tax rate (if necessary, please consult a tax advisor).