

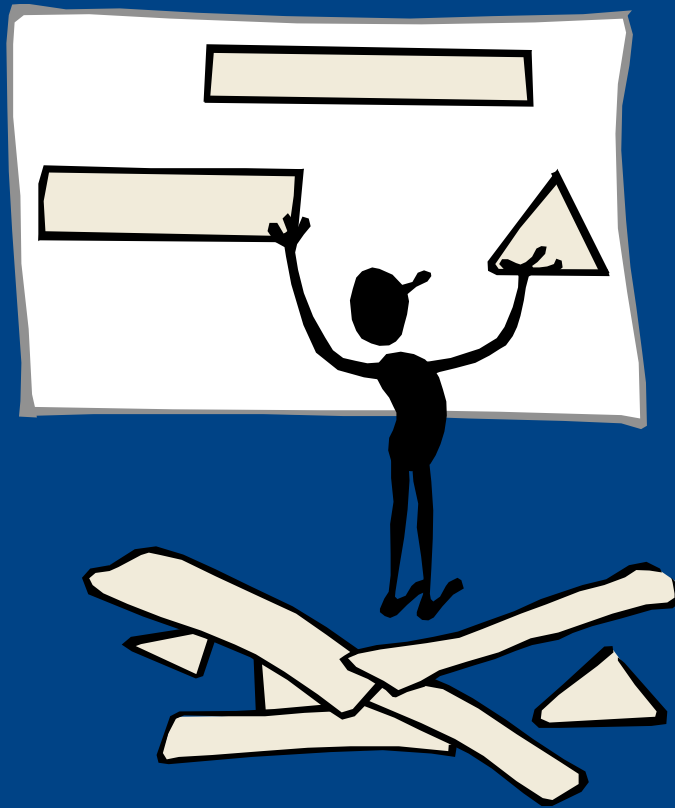
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Teaching tax professionals  
in a national setting

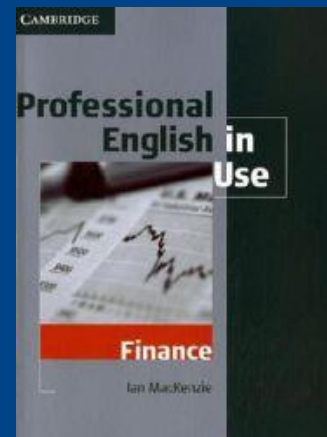
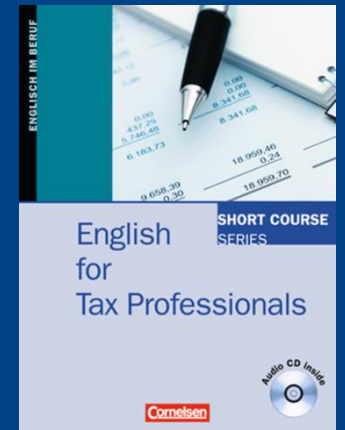
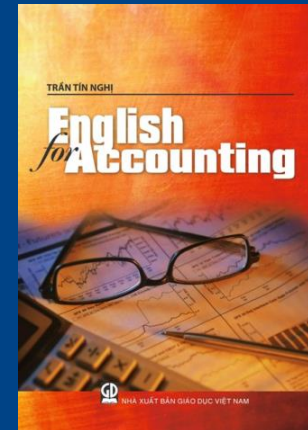
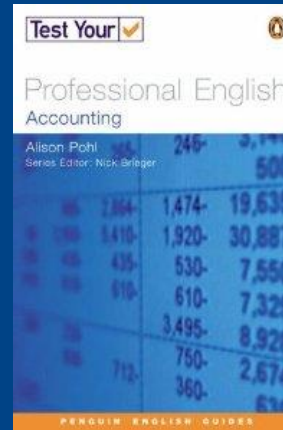
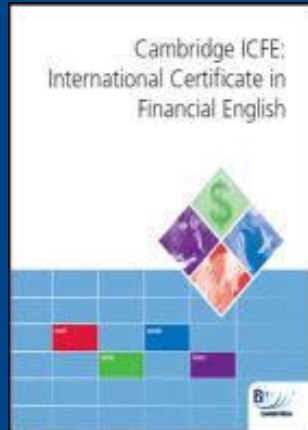
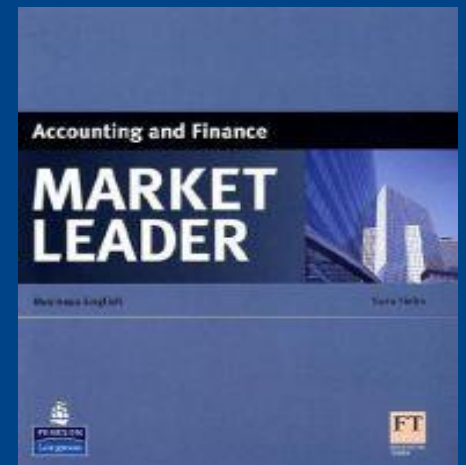
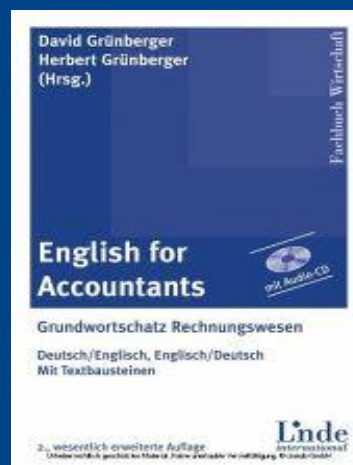
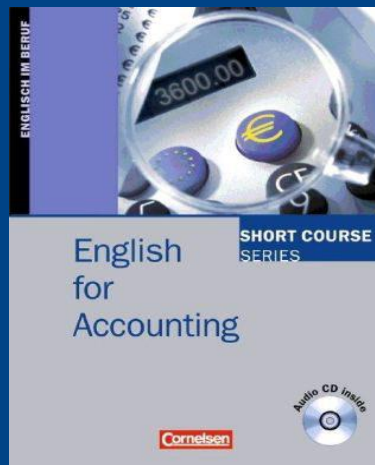
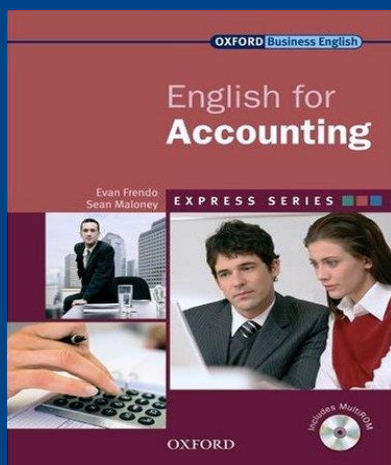
The German example

Patrick Mustu

# Coming up



- ▣ Why?
- ▣ How?
- ▣ Can I?





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## Business English Exercise | Topic: English for Accounting 1

Designed to teach you accounting, bookkeeping, and other vocabulary for financial record keeping, while polishing your grammar skills. Although it's meant for ESL students, it'll be useful to anyone who wants to practice this specialized vocabulary.



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AdChoices

### QUESTIONS:

(Choose the best response for each one)

- I \_\_\_\_\_ our profits for the previous accounting period.  
☐ called  
☐ gathered  
☐ calculated
- Your job will be to \_\_\_\_\_ and maintain financial records.  
☐ promise  
☐ prepare  
☐ make
- An accounting period is a period of time over which \_\_\_\_\_ are calculated.  
☐ prophets  
☐ profits  
☐ profiteering
- Accounts \_\_\_\_\_ refers to the money that is owed to the company by its clients/customers.  
☐ receivable  
☐ receptive  
☐ respected
- To accrue means to accumulate or \_\_\_\_\_.





### Berufsbezeichnungen

Berufsbezeichnungen und Positionen in Unternehmen. Lernen die richtigen Begriffe und deren Übersetzungen. Das ganze Unternehmen: Von Analyst über Associate bis hin zu CEO und CFO.



### Business Englisch für das Büro

Wie heißen die einzelnen Gegenstände im Büro auf Englisch? Lerne Vokabeln aus dem Bereich Büro mit einem besonderem Fokus auf Bürobedarf und -geräte.



### Geld und Währung

Vokabeln zum Thema Geld & Währung bzw. Geldpolitik. Besonders interessant für Studenten der Volkswirtschaftslehre und noch wichtiger für jene, die bei einer Zentralbank arbeiten möchten.



### Leveraged Finance

Leveraged Finance, Finanzinvestoren, Private Equity. Zieht es dich in diesen Bereich? Diese englischen Vokabeln solltest du beherrschen, wenn du mit der Akquisitionsfinanzierung in Berührung kommst.



Begriffe und deren Übersetzungen. Das ganze Unternehmen: Von Analyst über Associate bis hin zu CEO und CFO.

Benutzername

Passwort

Einloggen



### Bilanz und Bilanzposten

Bilanzen und deren einzelne Posten. Lerne sämtliche Begriffe, die für das Verstehen der Bilanzen englischer bzw. amerikanischer Jahresabschlüsse notwendig sind



### Corporate Finance

Corporate Finance und Investment Banking. In kaum einen anderen Bereich ist perfektes Englisch wichtiger. Lerne die wichtigsten Vokabeln aus der Finanzierung von Unternehmen



### Gewinn- und Verlustrechnung

Lerne die englischen Übersetzungen der Positionen von Gewinn- und Verlustrechnungen international agierender Unternehmen. Werde fit für das internationale Rechnungswesen.



### Makroökonomie








Vokabeln der Makroökonomie und Volkswirtschaft. Bereite dich gezielt auf englische Vorlesungen oder Herausforderungen im Beruf vor, verstehe englische Nachrichten.



Verstehen der Bilanzen englischer bzw. amerikanischer Jahresabschlüsse notwendig sind

# BUSINESS\_ENGLISH EXERCISES - 'ACCOUNTING AND FINANCE'

common and less common words used in accounting and finance

Instructions	Level		quiz	
Enter the correct word to build expressions related to economics and finance.	6000	<b>business vocabulary:</b> accounting and finance		<a href="#">START</a>
Enter the correct word to build expressions related to economics and finance.	1200	<b>business vocabulary:</b> accounting and finance		<a href="#">START</a>
Enter the correct word to build expressions related to economics and finance.	6000	<b>business vocabulary:</b> accounting and finance		<a href="#">START</a>
Enter the correct English word to build compound nouns related to economics and finance.	1200	<b>business vocabulary:</b> accounting and finance		<a href="#">START</a>
Put in the following words to build compound nouns related to accounting and taxation. Use CAPITALS at the beginning of the sentences.	1200	<b>business vocabulary:</b> accounting and finance		<a href="#">START</a>
Instructions	Level		quiz	
Put in the following words to build compound nouns related to accounting and taxation. Use CAPITALS at the beginning of the sentences.	1200	<b>business vocabulary:</b> accounting and finance		<a href="#">START</a>
Correct the wrong expressions (compound nouns) in the following sentences.	3000	<b>business vocabulary:</b> accounting and finance		<a href="#">START</a>



## Accounting English

English-learning resources: 1 to 12 of 98

<< first < previous next > last >>

### Accounting English / Assets

#### Narration: Part One

Resource type: Narration, with audio

Level: Intermediate

[Open](#) >>

### Accounting English / Assets

#### Narration: Part Two

Resource type: Narration, with audio

Level: Intermediate

[Open](#) >>

### Accounting English / Assets

#### Narration: Part Three

Resource type: Narration, with audio

Level: Intermediate

[Open](#) >>

### Accounting English / Assets

#### Pronunciation Practice

Resource type: Pronunciation practice, with audio

Level: Beginner

[Open](#) >>

### Accounting English / Assets

#### Online Test

[Open](#) >>

## Accounting English

- [The Annual Report](#)
- [The Financial Statements](#)
- [The Accounting System](#)
- [The Basic Accounting Equation](#)
- [Assets](#)
- [Liabilities](#)
- [Shareholders' Equity](#)
- [The Accounting Cycle](#)
- [The Accounting Journals and the General Ledger](#)
- [The U.S. Balance Sheet](#)
- [The European Balance Sheet](#)
- [The U.S. Income Statement](#)
- [The European Profit and Loss Account](#)
- [Other Financial Statements](#)
- [Management Accounting](#)
- [Payroll Accounting](#)
- [Budgeting](#)
- [Value Added Tax and Sales Taxes](#)
- [Income Taxes](#)
- [The Petty Cash Fund](#)
- [The Voucher System](#)
- [Expenses](#)
- [Revenues](#)
- [Depreciation](#)

English-learning resources

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## VV 14 – Financial English: Bankruptcy Vocabulary (Part 1)

On May 24, 2009, in Business English, Finance and Accounting, Legal, Video, Vocabulary, by BEP



1



0



5

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AdChoices

Today, we're beginning a two-part **Video Vocab** series on **Business English vocabulary** related to bankruptcy. This lesson will focus on **financial English vocabulary** related to the two most common types of bankruptcy in U.S. law: Chapter 11 & Chapter 7.

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Verwaltungsvorschriften im Internet

## Statutes/Ordinances

### [AMG](#)

Medicinal Products Act

Übersetzung durch den Sprachendienst des Bundesministeriums für Gesundheit

Translation provided by the Language Service of the Federal Ministry of Health

### [AO](#)

The Fiscal Code of Germany

Übersetzung durch den Sprachendienst des Bundesministeriums der Finanzen.

Translation provided by the Language Service of the Federal Ministry of Finance.

### [AsylVfG](#)

Asylum Procedure Act

Übersetzung durch den Übersetzungsdienst des Bundesministeriums des Innern. Laufende Aktualisierung durch Neil Mussett.

Translation provided by the Translation Service of the Federal Ministry of the Interior. Translation regularly updated by Neil Mussett.

### [AufenthG](#)

Act on the Residence, Economic Activity and Integration of Foreigners in the Federal Territory Residence Act

Übersetzung durch den Übersetzungsdienst des Bundesministeriums des Innern. Laufende Aktualisierung der Übersetzung durch Daniel C Smith

Translation provided by the Translation Service of the Federal Ministry of the Interior. Translation updated by Daniel C Smith

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## Accounting English (eLearning)

Selbst wer gut Englisch kann, kommt bei den Fachbegriffen der Rechnungslegung sehr schnell an seine Grenzen. Einerseits, wenn es darum geht, Informationen des Rechnungswesens an internationale Gesellschafter, Kunden oder die Konzernleitung im Ausland zu kommunizieren. Andererseits, beim Lesen der Original-Standards, wenn im Einzelfall noch keine deutsche Übersetzung vorliegt oder – wie bei vielen Interpretationen und ergänzenden Quellen des IASB – gar keine deutsche Übersetzung verfügbar ist.



Sie haben Fragen zu  
Seminaren?

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rechnungslegung.de](mailto:info(at)internationale-rechnungslegung.de)



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**Daniela Jesse**

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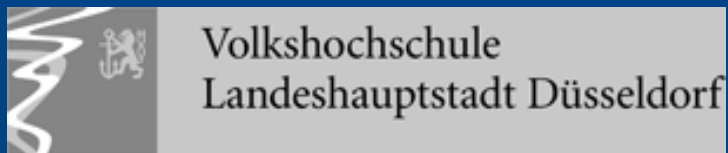
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rechnungslegung.de](mailto:jesse(at)internationale-rechnungslegung.de)



Intensivkurs Englisch für  
Buchhalter und Controller



Englisch für Buchhalter



English for Tax Professionals

Englisch in der Steuerberatung

MA

BA



MBA

MSc

PET

KET

FCE

CAE

CPE

BULATS

ICFE

ILEC

IELTS

EFB

EFC

SEFIC

PBE

WEFT

TOEIC

TOEFL

FIB

TELC

# Exams

## ICFE

International Certificate in Financial English



UNIVERSITY of CAMBRIDGE  
ESOL Examinations



## ILEC

International Legal English Certificate



UNIVERSITY of CAMBRIDGE  
ESOL Examinations

**TransLegal**<sup>®</sup>

## The Common European Framework of Reference

## Cambridge English: Financial

C Proficient user	C2
	<b>C1</b>
B Independent user	B2
	B1
A Basic user	A2
	A1

Pass with Merit
Pass
Pass



The following are just a few of the international institutions which accept *Cambridge English: Financial*.

Citibank

Sanofi-Aventis

HSBC

Unilever

Ogilvy & Mather

ICI

PricewaterhouseCoopers

London School of Business and Finance

KPMG

Oxford Brookes University

The French Chamber of Commerce

Polish Civil Service

Hong Kong Financial Services Institute

Romanian Banking

Department of Education and Science, Ireland

Danske Bank AS

GlaxoSmithKline (GSK)

Ernst & Young

## Poland

## ICFE

*Cambridge English: Financial*, also known as *International Certificate in Financial English (ICFE)*, is set at Levels B2 and C1 of the Common European Framework of Reference for Languages (CEFR). It is an examination which assesses English language skills in a financial context and is equivalent in level to *Cambridge English: First (FCE)* and *Cambridge English: Advanced (CAE)*.

Successful *Cambridge English: Financial* candidates will have the practical English skills to

- participate in meetings and discussions of a financial nature
- clearly express opinions and argue their case effectively
- produce various texts including financial letters, proposals and memos.

Leading financial companies such as KPMG, Pricewaterhouse Coopers and Ernst & Young have employees who have taken *Cambridge English: Financial*.

Listed below are some examples of organisations which use *Cambridge English: Financial* as proof of English language ability.

Organisation	Type *	Admission Level	ICFE
Ernst & Young - Poland	CO	Unknown	ICFE
Polish Civil Service	Govt	Unknown	ICFE
Akademia Marynarki Wojennej Gdynia	H/F	Unknown	ICFE
Akademia Pedagogiki Specjalnej	H/F	Unknown	ICFE
Akademia Sztuk Pięknych Warszawa	H/F	Unknown	ICFE
Akademia Wychowania Fizycznego w Katowicach	H/F	Unknown	ICFE
Ateneum British Council Gdansk	H/F	Unknown	ICFE
AWF Wrocław	H/F	Unknown	ICFE
Bydgoska Szkoła Wyższa (Wyższa Szkoła Informatyki i Przedsiębiorczości)	H/F	Unknown	ICFE
Dolnośląska Szkoła Wyższa Edukacji TWP	H/F	Unknown	ICFE
Dolnośląska Wyższa Szkoła Przedsiębiorczości i Techniki w Polkowicach	H/F	Unknown	ICFE
Małopolska Szkoła Wyższa w Brzesku	H/F	Unknown	ICFE
NKJO Wrocław	H/F	Unknown	ICFE
NKJO Zakopane	H/F	Unknown	ICFE
Państwowa Wyższa Szkoła Teatralna Kraków	H/F	Unknown	ICFE

- ▣ books
- ▣ online resources
- ▣ education & training
- ▣ exams



# Figures

\$32bn



\$23bn



700,000

30,000

 **ERNST & YOUNG**

\$26bn

**Deloitte.**

\$32bn

# Figures



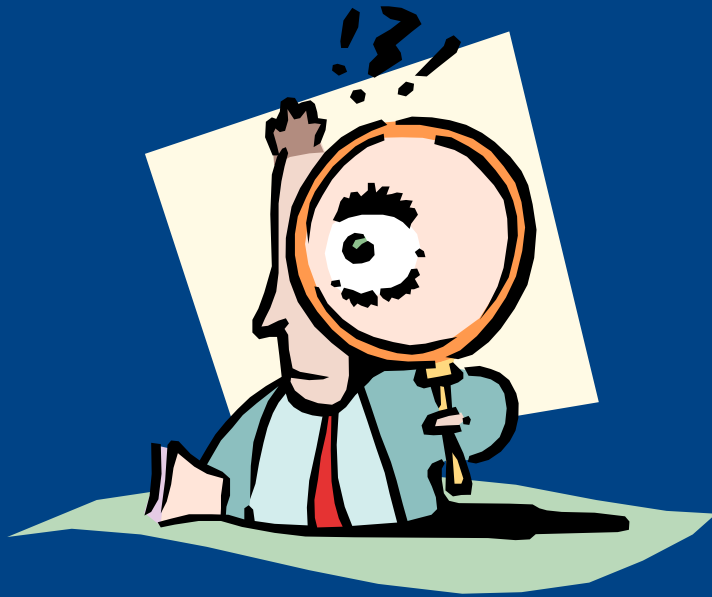
- ▣ 90,000 Steuerberater
- ▣ 14,000 Wirtschaftsprüfer
- ▣ 160,000 Rechtsanwälte
- ▣ 115,000 Bilanzbuchhalter
- ▣ ??? Buchhalter/Controller/  
Revisoren
- ▣ ??? Steuerfachangestellte

# Figures



- ▣ 200 Acts of Parliament
- ▣ 100,000 secondary legislation
- ▣ Germany accounts for 60% of the world's tax literature





Wh

□ n

□ c

□ USP → € \$ £



# Prekäre Verhältnisse

Die Lage der Beschäftigten im Weiterbildungssektor ist schlecht, die Löhne mager



Sie unterrichten Deutsch, Textverarbeitung und vieles mehr: So manche Lehrkraft in der Weiterbildung kann von diesem Job kaum leben.

DDP/T. LOHNES

**Freie Dozenten bewegen sich mit ihren Verdiensten oft an der Armutsgrenze**

Sie unterrichten Deutsch, Textverarbeitung und vieles mehr: So manche Lehrkraft in der Weiterbildung kann von diesem Job kaum leben.

ZEITUNG ONLINE | BILDUNG

INTEGRATION

## Billige Begrüßung

Lehrer, die im staatlichen Auftrag Migranten Deutsch beibringen, müssen für Hungerlöhne arbeiten.

## Prekäre Verhältnisse

Die Lage der Beschäftigten im Weiterbildungssektor ist schlecht, die Löhne mager

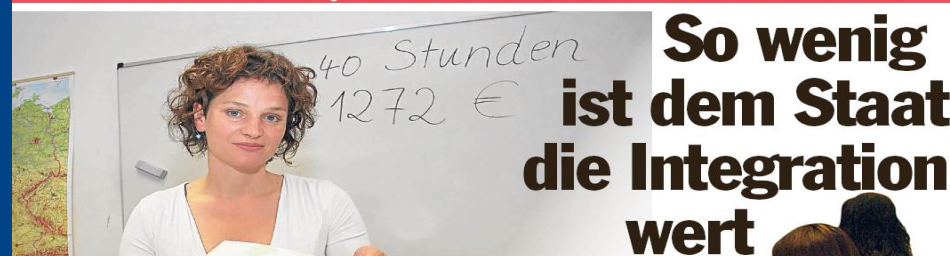


Sie unterrichten Deutsch, Textverarbeitung und vieles mehr: So manche Lehrkraft in der Weiterbildung kann von diesem Job kaum leben. DORT, LÖHNES

Dienstag, 23. Juni 2009

München+Region 7

+++ Deutschlehrer für Migranten: Verdienst oft unter Hartz IV-Niveau +++



BILDUNG gross geschrieben, bezahlung klein gerechnet

**Arm von Amts wegen**

**Lehren an der Armutsgrenze**

**Mindestlöhne für Akademiker**

Durch die Aufnahme der Weiterbildungsbranche in das Entsendegesetz wird ein Mindestlohn eingeführt und das Lohndumping für Kursleiter abgemildert. Honorarkräfte profitieren nicht davon

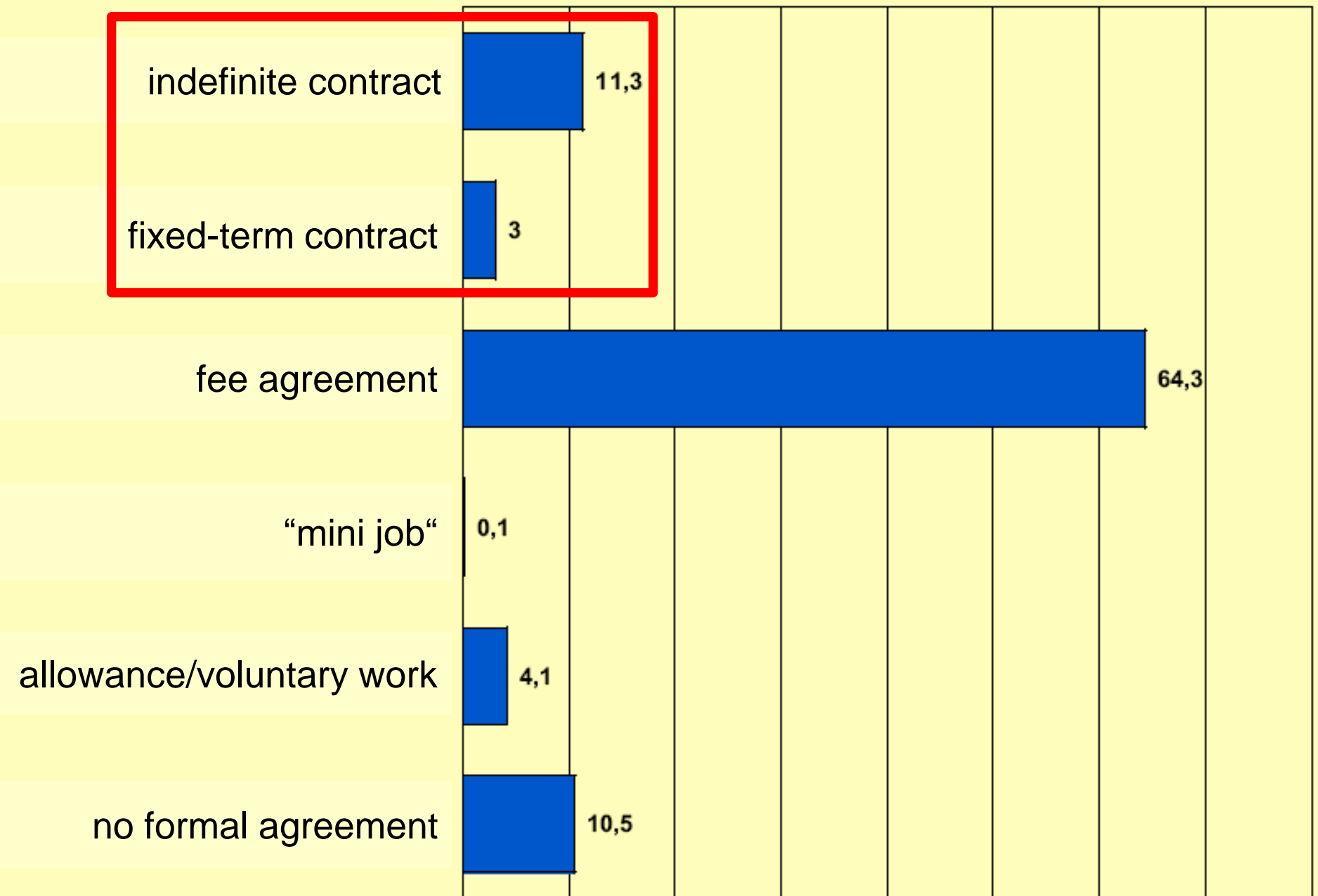
**Integrationslehrer auf Hartz IV-Niveau**

Mindestlohn soll Qualität der Kurse sichern, dürfte Einkünfte der Kursleiter aber weiter schmälern



*Interview at a language school in Bonn. The school pays its teachers 13 Euros per hour – and does not stand at the bottom end of the scale. “Other providers in my area offer 7.50“, says Petra, who has been working as a freelance English and German teacher for years.*

*13 Euros for 45 minutes might not sound that bad. Yet those who teach English, computing or Spanish to adults are self-employed. They have to pay business expenses, taxes, as well as health and pension insurance. On top, they need to prepare their lessons and review tests and homework - usually for free.*

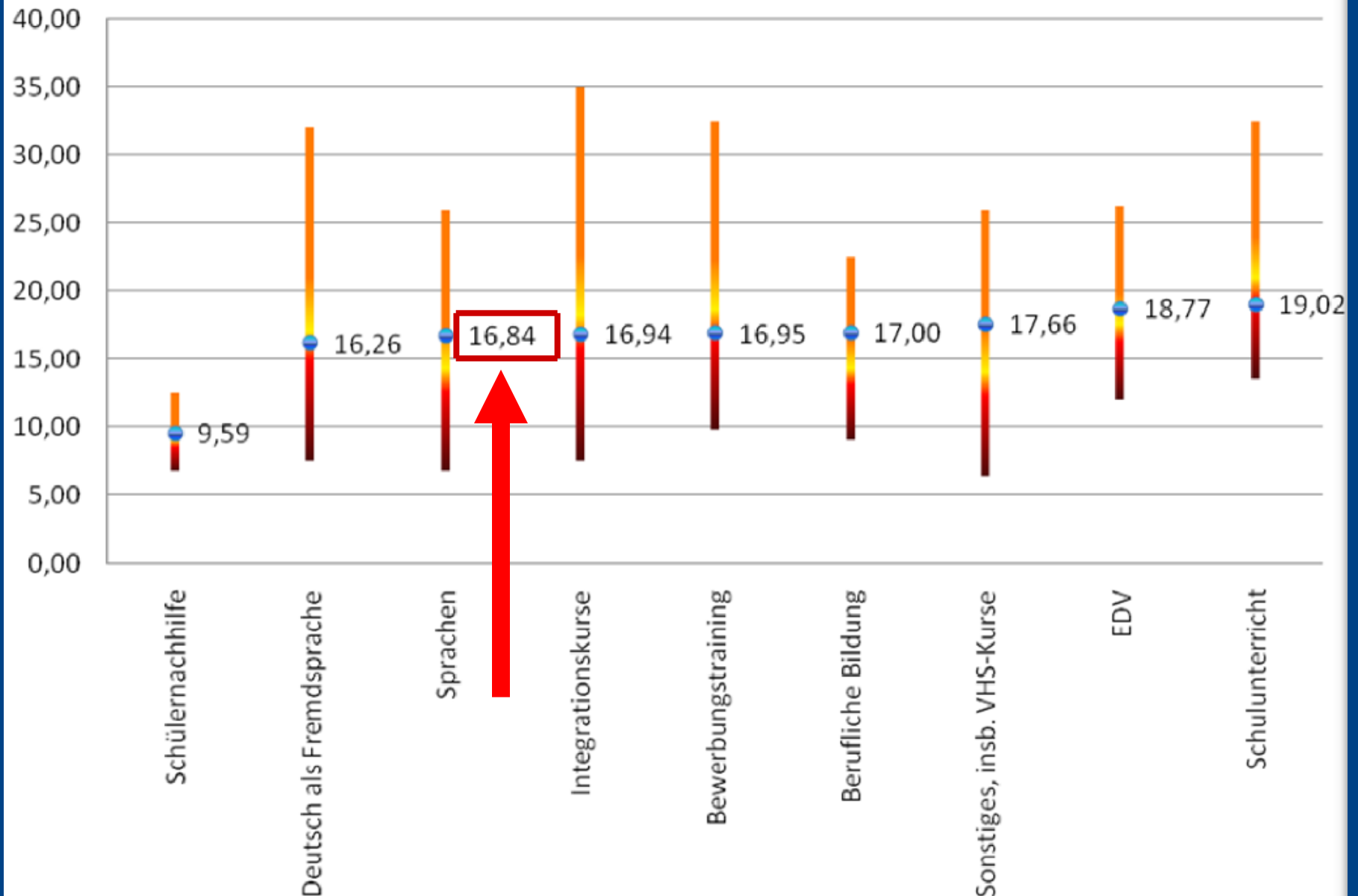


# Fees

Trägerart	Träger* Anzahl	Träger* Anteil	Brutto Honorar	Brutto Lohn
VHS, kommunale Einrichtungen	565	33.02%	17.5	19.5
Sonstige Trägergruppen	274	16.01%	16.5	17.5
Sprach-/ Fachschulen	272	15.90%	15.5	15.5
Bildungswerke/-stätten	204	11.92%	17.5	17.5
Freie Trägergruppen	74	4.32%	16.5	17.5
Betr./überbetr. Aus-/Fortbildungsstätte	71	4.15%	16.5	16.5
Internationaler Bund	48	2.81%	16.5	16.5
Katholische Trägergruppen	45	2.63%	16.5	19.5
Evangelische Trägergruppen	37	2.16%	17.5	18.5
AWO	36	2.10%	18.5	20.5
Initiativgruppen	27	1.58%	19.5	18.5
Deutsch-ausl. Organisationen	20	1.17%	16.5	11.5
Ausl. Organisationen	16	0.94%	16.5	13.5
Kommunale Einrichtungen	15	0.88%	17.5	19.5
Missing	7	0.41%	16.5	15.5
<b>Summe</b>	<b>1'711</b>			
<b>Durchschnitt</b>			<b>16.91</b>	<b>17.83</b>



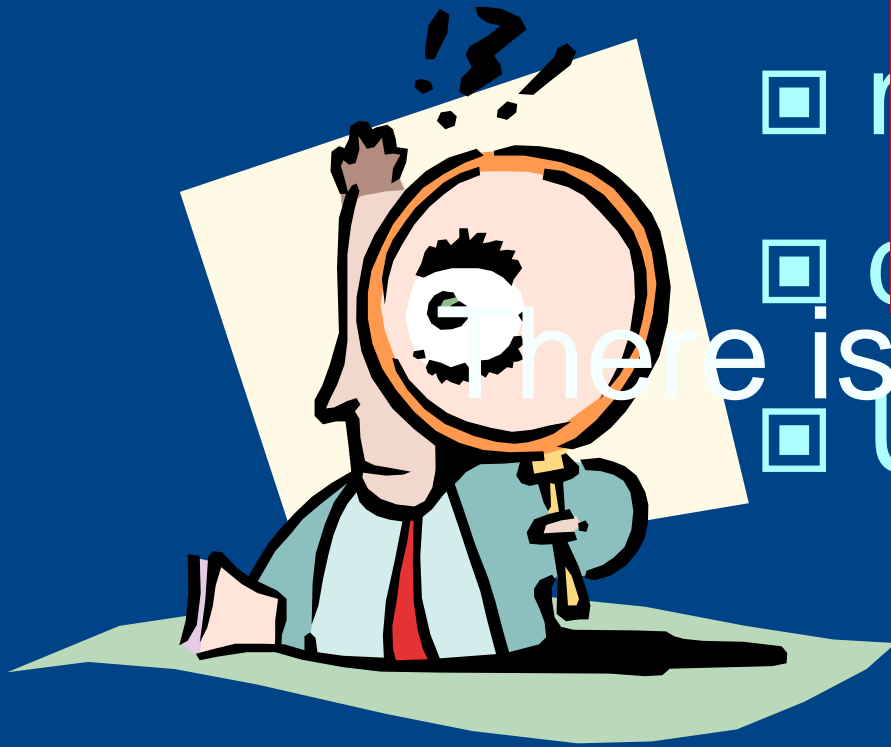
# Fee range



# The bottom line

▣ 1,200 lessons @ 18€	21,600€
▣ deductions:	
⊕ health + pension insurance	7,560€
⊕ business expenses	<u>5,000€</u>
⊕ total:	<u><u>12,560€</u></u>
▣ income before tax:	9,040€

# Why?



- market

- demand

- USP → € \$ £

There is another

- ▣ invoices
- ⌘ VAT
- ⌘ exemptions

Are



y  
C



- ▣ tax returns
- ⌘ bookkeeping
- ⌘ deductions

- ▣ social security

What can I  
deduct?



## TRAVEL

ticket  
car  
parking  
meals

## MARKETING

web site  
brochures  
business cards  
advertising

## OFFICE

rent  
electricity  
heating  
furniture  
telecom



books

copies

## ADMIN

bank charges  
bookkeeping  
tax advice  
legal advice  
insurance

## PAMPERING

gifts  
entertainment

## DEVELOPMENT

training  
membership fees



# The accountancy profession in the UK

*The Institute of Chartered Accountants in England & Wales (ICAEW) was established by a Royal Charter in 1880. It has over 130,000 members. Over 15,000 of these members live and work outside the UK. The Institute also has some 9,000 students.*

The Institute is a member of the Consultative Committee of Accountancy Bodies (CCAB), formed in 1974 by the major accountancy professional bodies in the UK and Ireland. The fragmented nature of the accountancy profession in the UK is in part due to the absence of any legal requirement for an accountant to be a member of one of the many institutes. This is because the term accountant does not have the same legal protection in the United Kingdom as that given to, say, doctors and lawyers. There are, though, certain legal rights and duties which are available to professionally qualified accountants. For example, individuals who operate in the areas of audit and insolvency must be registered, and only members of certain accountancy bodies (such as the ICAEW) are eligible for such registration. Likewise individuals who describe themselves as 'chartered accountants' must be a member of an accountancy body which holds a Royal Charter, and if working in public practice these chartered accountants must comply with additional regulations such as holding indemnity insurance and submitting to regular and independent inspections.

Until the mid-nineteenth century the role of accountants in England and Wales was restricted to that of bookkeepers in that accountants merely maintained records of what other business people had purchased and sold. However, with the growth of the limited liability company

and large-scale manufacturing and logistics in Victorian Britain, a demand was created for more technically proficient accountants to deal with the increasing complexity of accounting transactions, including depreciation of assets, inventory valuation and company legislation.

To improve their status and combat criticism of low standards, accountants in the cities of Britain formed professional bodies. The ICAEW was formed from the five of these associations that existed in England prior to its establishment by Royal Charter in May 1880.

In 2005 the ICAEW sought to merge with the Chartered Institute of Management Accountants (CIMA) and the Chartered Institute of Public Finance and Accountancy (CIPFA). However, this project proved unsuccessful. The Institute also announced at this time that it was considering dropping the reference to England and Wales in its title to become the Institute of Chartered Accountants. However, this plan was also withdrawn.

The Institute introduced a new syllabus in 2007. In order to make it more appealing to prospective students, the policy of time-barring students has been removed, and the mandatory examinations will become more flexible based on a modular structure. In addition to paper-based assessments, there are now computer-based assessments of objective test questions (multiple choice).

Source: Wikipedia



## Taxes in England

### Income Tax allowances table

Income Tax allowances	2010–11	2011–12	2012–13
Personal Allowance (1)	£ 6,475	£ 7,475	£ 8,105
Income limit for Personal Allowance	£ 100,000	£ 100,000	£ 100,000
Personal Allowance for people aged 65–74 <sup>1/2</sup>	£ 9,490	£ 9,940	£ 10,500
Personal Allowance for people aged 75 and over <sup>1/2</sup>	£ 9,640	£ 10,090	£ 10,660
Married Couple's Allowance (born before 6th April 1935 and aged 75 and over) <sup>2/3</sup>	£ 6,965	£ 7,295	£ 7,705
Income limit for age-related allowances	£ 22,900	£ 24,000	£ 25,400
Minimum amount of Married Couple's Allowance	£ 2,670	£ 2,800	£ 2,960
Blind Person's Allowance	£ 1,890	£ 1,980	£ 2,100

- 1 From the tax year 2010–11 the Personal Allowance is reduced when the income is above £ 100,000 by £ 1 for every £ 2 of income above the £ 100,000 limit. This reduction applies irrespective of age.
- 2 These allowances are reduced where the income is above the income limit for age-related allowances by £ 1 for every £ 2 of income above the limit. For the tax year 2010–11 the Personal Allowance for people aged 65 to 74 and 75 and over can be reduced below the basic Personal Allowance where the income is above £ 100,000.
- 3 Tax relief for the Married Couple's Allowance is given at the rate of 10 per cent.

### Income Tax rates and taxable bands

#### Income Tax rates and taxable bands

Rate	2010–11	2011–12	2012–13
Starting rate for savings: 10 % *	£ 0 – £ 2,440	£ 0 – £ 2,560	£ 0 – £ 2,710
Basic rate: 20 %	£ 0 – £ 37,400	£ 0 – £ 35,000	£ 0 – £ 34,370
Higher rate: 40 %	£ 37,401 – £ 150,000	£ 35,001 – £ 150,000	£ 34,371 – £ 150,000
Additional rate: 50 %	Over £ 150,000	Over £ 150,000	Over £ 150,000

\* The 10 per cent starting rate applies to savings income only. If your non-savings income is above this limit then the 10 per cent starting rate for savings will not apply.  
The rates available for dividends are the 10 per cent ordinary rate, and the 32.5 per cent dividend upper rate, and the dividend additional rate of 42.5 per cent.

## J.P. Morgan Fined Over Subprime Mortgage Securities



NEW YORK – Investment bank J.P. Morgan has settled with the US Securities & Exchange Commission (SEC) over improperly marketing certain complex mortgage-backed security assets near the beginning of the financial crisis. The investment bank will pay \$154 million to the SEC to settle the suit.

The SEC charged that J.P. Morgan improperly marketed certain synthetic CDOs (collateralized debt obligations) to clients, without disclosing that a hedge fund, which was betting against the CDOs, had assisted in picking the assets. 'What J.P.

Morgan failed to tell investors was that a prominent hedge fund that would financially profit from the failure of CDO portfolio assets heavily influenced the CDO portfolio selection. With today's settlement, harmed investors receive a full return of the losses they suffered,' said Robert Khuzami, SEC's head of enforcement.

With the settlement, J.P. Morgan neither denies nor admits to any wrongdoing and the SEC agreed to drop the case. All of the investors in the CDO will obtain reparations to make them whole in the transaction. Subsequent to this settlement, J.P. Morgan also voluntarily gave back \$57 million to some investors that had bought other similar CDOs. The SEC did not bring a lawsuit against J.P. Morgan for marketing that particular instrument.

J.P. Morgan's case is similar to one involving Goldman Sachs, which resulted in a \$550 million settlement.

## Investors should look beyond BRIC countries, says PwC report

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(0) A report published by PricewaterhouseCoopers on Tuesday has suggested that investors need to look beyond the BRICs (Brazil, Russia, India and China) for future growth opportunities.

‘The World in 2050: Beyond the BRICs’ report concluded that long-term prospects for China, India and other so-called ‘E7’ economies (Brazil, Mexico, Russia, Indonesia and Turkey) are still upbeat, but looks for the first time at an additional 13 emerging economies, which the firm argues also have the potential to grow significantly faster than the established Organisation for Economic Co-operation and Development (OECD) countries.

(1) \_\_\_\_\_ ‘The global centre of economic gravity is already shifting to China, India and other large emerging economies, and our analysis suggests that this process has a lot further to run.

(2) \_\_\_\_\_ India could grow to almost 90% of the size of the USA by 2050. Brazil seems likely to overtake Japan by 2050 to move into fourth place,

while Russia, Mexico and Indonesia all have the potential to have economies larger than those of Germany or the UK by the middle of this century. But the fastest mover could be Vietnam, with a potential growth rate of almost 10% per annum in real dollar terms.’

(3) \_\_\_\_\_ For example, it suggests that Nigeria, while high risk, has the long-term potential to overtake South Africa to be the largest African economy by 2050. (4) \_\_\_\_\_

However, with the possible exception of Vietnam relative to Turkey, the additional analysis does not change the conclusion from earlier PricewaterhouseCoopers research that the E7 will remain the largest emerging economies through to 2050. Mr Hawksworth explained that:

‘(5) \_\_\_\_\_ In fact, it should prove to be a boost for them through growing income from exports and overseas investments, even as the OECD share of world GDP declines.’

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*“It’s always about England, America, Australia. For readers who want to talk about German realities in English, this is of little value.”*

*(Business Spotlight 4/2009, p90)*



## The accountancy profession in the UK

The Institute of Chartered Accountants in England & Wales (ICAEW) was established by a Royal Charter in 1880. It has over 130,000 members. Over 15,000 work outside the UK. The Institute also has some 9,000 students.

The Institute is a member of the Consultative Committee of Accountancy Bodies (CCAB), formed in 1974 by the major accountancy professional bodies in the UK and Ireland. The fragmented nature of the accountancy profession in the UK is in part due to the absence of any legal requirement for an accountant to be a member of one of the many institutes. This is because the term accountant does not have the same legal protection in the United Kingdom as that given to, say, doctors and lawyers. There are, though, certain legal rights and duties which are available to professionally qualified accountants. For example, individuals who operate in the areas of audit and insolvency must be registered, and only members of certain accountancy bodies (such as the ICAEW) are eligible for such registration. Likewise individuals who describe themselves as 'chartered accountants' must be a member of an accountancy body which holds a Royal Charter, and if working in public practice these chartered accountants must comply with additional regulations such as holding indemnity insurance and submitting to regular and independent inspections.

Until the mid-nineteenth century the role of accountants in England and Wales was restricted to that of bookkeepers in that accountants merely maintained records of what other business people had purchased and sold. However, with the growth of the limited liability company

and large-scale manufacturing in Victorian Britain, a demand for more technically proficient accountants arose with the increasing complexity of transactions, including depreciation and inventory valuation and company legislation. To improve their status and combat criticism of low standards, accountants in the cities of Britain formed professional bodies. The ICAEW was formed from the five of these associations that existed in England prior to its establishment by Royal Charter in May 1880.

In 2005 the ICAEW sought to merge with the Chartered Institute of Management Accountants (CIMA) and the Chartered Institute of Public Finance and Accountancy (CIPFA). However, this project proved unsuccessful. The Institute also announced at this time that it was considering dropping the reference to England and Wales in its title to become the Institute of Chartered Accountants. However, this plan was also withdrawn.

The Institute introduced a new syllabus in 2007. In order to make it more appealing to prospective students, the policy of time-barring students has been removed, and the mandatory examinations will become more flexible based on a modular structure. In addition to paper-based assessments, there are now computer-based assessments of objective test questions (multiple choice).

Source: Wikipedia

## Taxes in England

### Income Tax allowances table

Income Tax allowances	2010–11	2011–12	2012–13
Personal Allowance (1)	£6,475	£7,475	£8,105
Age-related allowance for Personal Allowance	£100,000	£100,000	£100,000
Age-related allowance for people aged 65–74 <sup>1/2</sup>	£9,490	£9,940	£10,500
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### Income tax

Income Tax	2011–12
Rate	6%
Starting rate for savings	10%
Basic rate: 20%	20%
Higher rate: 40%	40%
Additional rate: 50%	50%

<sup>4</sup> The 10 per cent starting rate applies to savings income up to £1,000. The 10 per cent starting rate for savings will not apply to income from 2012–13. The rates available for dividends are the 10 per cent rate for dividends up to £1,000 and the dividend additional rate of 42.5 per cent.

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(3) \_\_\_\_\_ For the first time, the report identifies Nigeria, while highlighting the potential to overtake South Africa as the fastest African economy by 2050.

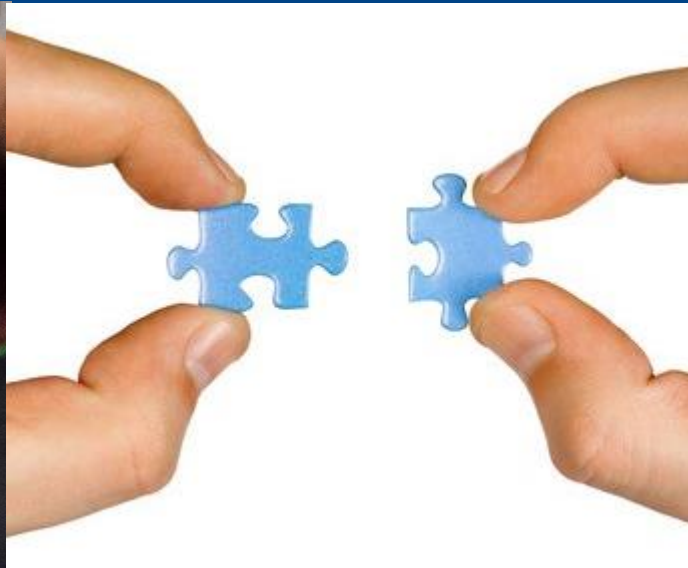
However, the report's perception of Vietnam as a relatively fast-growing economy does not change the fact that the E7 is still earlier in its growth cycle than the E7. Research that the E7 will be the fastest growing economies through to 2050, with explained that: 'In fact, it should prove to be a boost for them through growing income from exports and overseas investments, even as the OECD share of world GDP declines.'

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# dealing with clients



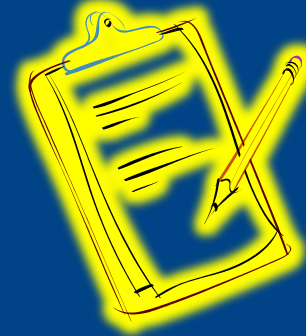


client interviews

F2F / TEL / VID

WASP

presenting



client correspondence

letters of advice

opinions

reports



## MEETINGS WITH CLIENTS

### Meeting & greeting

Good morning, Mr Smith. How are you?

I'm Klaus Müller. Nice to meet you.

My name is Claudia Schneider. Pleased to meet you.

This is my assistant, Rebecca Kretschmar.

May I introduce you to my business partner, Mr Kamphausen?

*How do you do? is a formal, rather old-fashioned greeting. It is not a question. Do not answer it by saying that you are fine. Just say How do you do? as well.*

### Offering hospitality

Would you like something to drink?

Can I offer you a cup of coffee?

May I offer you a glass of water?

Please help yourself to milk and sugar.

*Don't offer a drink as this usually means alcohol.*

### Small talk

How was your journey/flight?

Is your hotel ok?

Did you find us alright? / Did you have any trouble finding us?

Is this your first time in Germany? / Is this your first visit to Berlin?

Terrible weather today, isn't it?

*Good small-talk topics are travelling, accommodation, weather and sports. Personal and potentially sensitive issues, such as politics and religion, should be avoided.*

## CONDUCTING CLIENT INTERVIEWS & GIVING ADVICE

### Structuring the interview

*Client interviews can be very demanding. You must elicit information and give advice while maintaining a pleasant atmosphere and explaining matters plainly. The **WASP** approach is useful.*



### Giving advice

must	You must file your tax return by 31 May.
have to	You have to enclose receipts.
ought to	You ought to do it electronically.
should	You should consider deferring taxes.
suggest	I (would) suggest calling your tax officer. I (would) suggest that I write to your tax office.
recommend	I (would) recommend filing an appeal. I (would) recommend that you do not react.

### Being more or less formal

*You may wish to distinguish situations in which you are dealing with someone you do not know well from ones in which you are dealing with friendly working relationship with.*

#### Formal

I would advise you to accept the decision.  
I recommend that you pay the penalty.  
Perhaps you could talk to your employer.  
I suggest that you get confirmation from your payroll department.  
I think you'd better clarify your status.

#### Informal

Why don't you change your tax bracket?  
How about a joint assessment?  
Try claiming home office expenses.  
Why not change the bonus system?  
  
Have you thought about treating this as an income-related expense?

## TELECONFERENCING.

The way a conference call is run may vary depending on how formal the situation is and what the objectives are. Typical steps include: The chairperson kicks off the conference, welcomes the participants and states the purpose. Then the participants discuss the topics. The chairperson acts as facilitator, asks for opinions and summarizes action items. There might be an agenda to follow and minutes to take. Here are some additional phrases for teleconferencing. They can, of course, also be used for face-to-face meetings.

### Opening, chairing and closing

Good morning, everybody.

Can we start?

Let's get down to business.

Who's going to take the minutes?

The purpose of our conference is ...

Our aim today is ...

There are three items on the agenda.

Peter, would you like to start?

Anything to add, Josh?

Let's move on to the next item.

Let me summarize the main points.

Is there any other business?

OK, thank you for all your contributions.

### Taking part

In my opinion ...

To my mind ...

In my view ...

I think / believe / suppose / assume / guess ...

I agree with you.

I'm with Rainer on this.

I'm afraid I can't agree with that.

I see it rather differently.

Can I just say at this point that ...

May I just come back to a point that Jim made?

I didn't quite catch that.

Do you see what I mean?

Let me put it another way.

## DESCRIBING BUSINESS TRENDS AND DEVELOPMENTS

Auditors often have to analyze, describe and present developments. They may talk about share prices or dividends, sales or profits, market share or interest rates. Such presentations or reports are often supported by visual information contained in graphs, bar charts, and pie charts.

### Introducing a graph

This graph shows/illustrates/depicts ...	... our sales in the first quarter this year. ... the decline of interest rates last year. ... our increase in market share over the last decade.
The vertical axis represents ...	... our profit in millions of dollars/pounds/euros.
The horizontal axis depicts ...	... the dividend yield in per cent.

### Upward movement

Sales rose by three per cent in March.  
Profit increased by one million dollars in 2012.  
There was an increase in market share of five per cent over three years.  
There was a one per cent increase in interest rates last year.  
Finance expenses shot up last quarter.

### Downward movement

Sales decreased by 500 units.  
Profit fell by 30,000 euros.  
There was a decrease/fall in payables.  
Earnings from minority interests plunged.  
Pension provisions slumped to 400,000 pounds.

### Other expressions

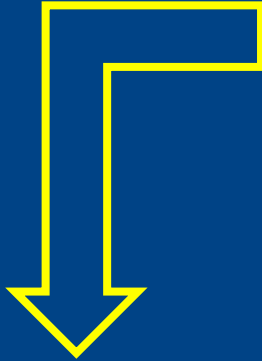
The share price hit a low in May last year.  
Indices reached a peak at the end of 2012.  
Interest rates on savings recovered.  
The price-to-earnings ratio fluctuated wildly over the last decade.  
Our EBITDA remained steady.

A preposition can make a big difference:

The price was reduced **by** € 10 per item. = The product cost € 10 less than before.

The price was reduced **to** € 10 per item. = The product cost € 10.

# Connect



## CONVENTION

between the United States of America  
and the Federal Republic of Germany

for the avoidance of double taxation and the prevention of fiscal evasion  
with respect to taxes on income and capital and to certain other taxes

## ARTICLE 28

Limitation on Benefits



tax advice

tax returns

payroll accounting

financial statements

start-ups

due diligence

asset management

estate planning

social security

representation



**Read and listen to the following dialogue between Martina Jones, a retired UK national living in Germany, and Karl Schenkel, a professional German tax advisor. What small thing does Karl do that creates a good impression on his client?**

*Karl* Ms. Jones, isn't it? My name is Schenkel, Karl Schenkel.

*Martina* Nice to meet you.

*Karl* If you'd like to follow me to my office, please .. is this your first visit to Stralsund, Ms. Jones?

*Martina* Yes, it is, and I like it very much. I've had the chance to look around a bit before coming to your office. I retired last year and decided to move to Rügen after working in the Ruhrgebiet for many years.

*Karl* You've certainly chosen the right place.

*Martina* Rügen is a wonderful island, it's just wonderful.

*Karl* Where are you from originally?

*Martina* I'm from Wales.

*Karl* Another beautiful place.

So, this is my office. Please have a seat, Ms. Jones. May I offer you a cup of tea?

*Martina* I'd love one.

*Karl* With milk, I guess.

*Martina* Of course ... oh, and you even have real milk, what a treat! I was at a law firm the other day, and I had to put evaporated milk in my tea.





**Read and listen to the next part of the meeting and fill in the gaps.**

*Hans* Well, there are two factors you have to consider: social security contributions and PAYE or income tax. Both are deducted at source.

*Tim* This means I don't have to pay them myself, but my employer pays them for me?

*Hans* \_\_\_\_<sup>1</sup>. Social security has four tiers: pension unemployment health and long-term care insurance. These add up to roughly 40% of your salary, but half of it is paid by

**Listen to the final part of the meeting. What do the following numbers refer to?**

- |   |      |       |   |        |       |
|---|------|-------|---|--------|-------|
| 1 | 20   | _____ | 5 | 8000   | _____ |
| 2 | 40   | _____ | 6 | 10 000 | _____ |
| 3 | 1200 | _____ | 7 | 36 000 | _____ |
| 4 | 1800 | _____ |   |        |       |

yourself and let your employer know which one you have chosen.

*Tim* Is there anything I have to bear in mind when choosing health insurance?

*Hans* \_\_\_\_<sup>4</sup>. Most schemes cover the same. There are minor differences when it comes to service and incentives. You can check the internet for a comparison. There's a uniform rate, so what is deducted from your income doesn't depend on the insurance you choose. One fact that you should bear in mind, \_\_\_\_<sup>5</sup>, is that there might be additional charges that depend on your insurance company's performance.



**Listen again and complete these sentences with expressions from the final part of the conversation.**

- 1 They (= taxes) \_\_\_\_\_ your income and family situation.
- 2 Your employer \_\_\_\_\_ taxes \_\_\_\_\_ income \_\_\_\_\_ € 10,000.
- 3 Certain additional allowances are automatically \_\_\_\_\_.
- 4 You can \_\_\_\_\_ to pay about 20% income tax.
- 5 Do I have to \_\_\_\_\_ a tax return?
- 6 Your employer will forward your income details to your tax office and you'll get a \_\_\_\_\_ with a \_\_\_\_\_ number.
- 7 I'd be happy to \_\_\_\_\_ you if the need \_\_\_\_\_.
- 8 Please feel \_\_\_\_\_ to make an appointment.

**Are the following statements true or false?**

	True	False
Taxes on Tim's income will be deducted by his employer.	<input type="checkbox"/>	<input type="checkbox"/>
Tim and his employer make equal pension contributions.	<input type="checkbox"/>	<input type="checkbox"/>
Tim has the opportunity to take out private health insurance.	<input type="checkbox"/>	<input type="checkbox"/>
Tim doesn't have to file a tax return as his employer will submit his income details electronically.	<input type="checkbox"/>	<input type="checkbox"/>

# Connect!

**List the deductions from the gross income of an employee.**

Social security deductions

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_
- 4 \_\_\_\_\_





**At the beginning of the following year, Tim Hill has another meeting with Hans Herrmanns. Listen to their dialogue and decide whether the following statements are true or false.**

	True	False
1 Tim has to fill in a form called 'EÜR'.	<input type="checkbox"/>	<input type="checkbox"/>
2 The limit for being considered a small business is €7,500.	<input type="checkbox"/>	<input type="checkbox"/>
3 Tim has to draft a balance sheet.	<input type="checkbox"/>	<input type="checkbox"/>
4 Utilities are not deductible.	<input type="checkbox"/>	<input type="checkbox"/>
5 Tim can deduct travel costs for distance travelled one-way.	<input type="checkbox"/>	<input type="checkbox"/>

**Listen again and make a list of the deductions Hans mentions. Then answer these questions.**

- 6 What other deductions could you point out to Tim?
- 7 What advice would you give him if his turnover was €20,000 last year?



**Discuss these questions.**



Sole trader



Partnership



Limited company

- 1 What are the advantages and disadvantages of these different kinds of businesses: sole trader, partnership, limited company.
- 2 What kind of business would you conduct under which corporate form? What are capital and liability requirements?



**Andrea Maurer explains the German trade tax system to her Polish colleague, Dominik Sopart. Listen to their dialogue and answer the following questions.**

- 1 Does every business in Germany have to pay trade tax?
- 2 Who is exempt from paying it?
- 3 Can you avoid paying trade tax by your choice of legal form?
- 4 What is trade tax used for?
- 5 What is the basic tax rate?

exempt *befreit*

public expenditure *öffentliche Ausgaben*

trade tax factor *Gewerbesteuerhebesatz*

basic trade tax rate *Gewerbesteuermesszahl*

trade earnings *Gewerbeertrag*

trade tax assessment base *Gewerbesteuermessbetrag*

Vocabulary  
assistant

V



**Read the transcript of the dialogue in section 11 (see page 00). Then complete this formula for the calculation of trade tax. Use terms from the dialogue and the Vocabulary Assistant box.**

$$\begin{array}{rcl} & \text{company's profit} & \\ & + \text{.....} & \\ & - \text{.....} & \\ (\text{if applicable}) & - \text{.....} & \\ & = \text{.....} & \\ & \times 3.5\% & \\ & = \text{.....} & \\ & \times \text{.....} & \\ & = \text{trade tax} & \end{array}$$

## John Lynch & Alexander Dudziak oHG

Maurer Hubu Rauf Steuerberatungsgesellschaft  
Frau Steuerberaterin Andrea Maurer  
Kurfürstendamm 210  
10719 Berlin

Ruppiner Chaussee 183  
13503 Berlin  
Tel: (030) 531 29 16  
Fax: (030) 531 29 17

6 March 20..

**Do the preparation outlined below and draft a well laid-out reply in the name of Andrea Maurer.**

- 1 Calculate the tax mentioned in the letter above (no add-backs or deductions, Berlin's trade tax factor is 410 %).
- 2 Do some research on tax factors of municipalities near Berlin.
- 3 The consultation fee you are currently charging is € 220 per hour. You would like to retain John as a client, but are not prepared to make a concession to the extent he suggested. Pursue a compromise offering a 10 % reduction. Think about how you will present this.
- 4 Check on the form and layout of business letters in the appendix on pages 93–94, then draft your letter.

your firm, but we also have to consider savings on all fronts. You will be aware that there is a wide choice of accountants, and cutting our costs is paramount to us. We were thinking of a reduction of 20%. Please send us your remuneration agreement if you are prepared to accept our proposal.

We look forward to hearing from you.

Yours sincerely

*John Lynch*  
John Lynch

hourly rate *Stundensatz*

paramount *vorrangig*

remuneration agreement *Vergütungs-/*

*Honorarvereinbarung* at once *unverzüglich*

Vocabulary  
assistant





**Calculate the VAT amounts in the following case.**

A wholesaler sells printers to a retailer. The sale is worth € 10,000. The VAT rate is 20%. Therefore, the wholesaler charges the retailer € \_\_\_\_\_<sup>1</sup>. The wholesaler should pay € \_\_\_\_\_<sup>2</sup> to the tax authorities, but as it has bought shelves for its warehouse for € 1,000 in the same accounting period, including € 200 VAT, it is only required to pay € \_\_\_\_\_<sup>3</sup> (€ \_\_\_\_\_<sup>4</sup> less € \_\_\_\_\_<sup>5</sup>) to the tax authorities. The authorities receive the € 200 from the supplier of shelving and now get € \_\_\_\_\_<sup>6</sup> making a total of € \_\_\_\_\_<sup>7</sup> – which is the correct amount of VAT due on the sale of the printers.

Supply: € 10,000

VAT on supply: € \_\_\_\_\_<sup>8</sup>

VAT on purchases: € \_\_\_\_\_<sup>9</sup>

Net VAT to be paid: € \_\_\_\_\_<sup>10</sup>

# Connect!

Here are some taxes you might have to deal with when advising individuals. Can you complete the missing letters?

1 PA\_\_E

2 so\_\_id\_\_rity

3 capital \_\_ai\_\_s

4 ex\_\_ise

5 p\_\_op\_\_rty

6 i\_\_herita\_\_ce

7 \_\_ift

8 property \_\_rans\_\_er

# Stimulate!

**Collect some information about VAT in Germany. What are current rates for the goods in the photos? Name some other products and services and their current rates. Are the differences justified?**



Clothing 19 %, stamps 0 %, books 7 %.

0 %: Doctors, dentists, physiotherapists, midwives, hospitals, theatres, museums, zoos orchestras, schools, universities, house rent, bank loans.

7 %

fruit

milk

tap water

coffee beans/powder

potatoes

salt

books

flowers + leaves (if fresh)

wheelchairs

local public transport

horses

fish

ducks

fertilizer

McDonald's (take-away)

19 %

fruit juice

soy milk

mineral water

brewed coffee

sweet potatoes

road salt

ebooks

flowers + leaves (if dried)

stair lifts

regional public transport

donkeys

ornamental fish

wild ducks

potting soil

McDonald's (eat-in)

## CONVENTION

between the United States of America  
and the Federal Republic of Germany

for the avoidance of double taxation and the prevention of fiscal evasion  
with respect to taxes on income and capital and to certain other taxes

### ARTICLE 28

#### Limitation on Benefits

#### CASE 1

A German company is owned by three persons, each resident in a different third country. The company is engaged in an active manufacturing business in Germany. It has a wholly-owned subsidiary in the United States. The subsidiary is engaged in selling the output of the German parent. The active manufacturing business in Germany is substantial in relation to the activities of the US subsidiary.

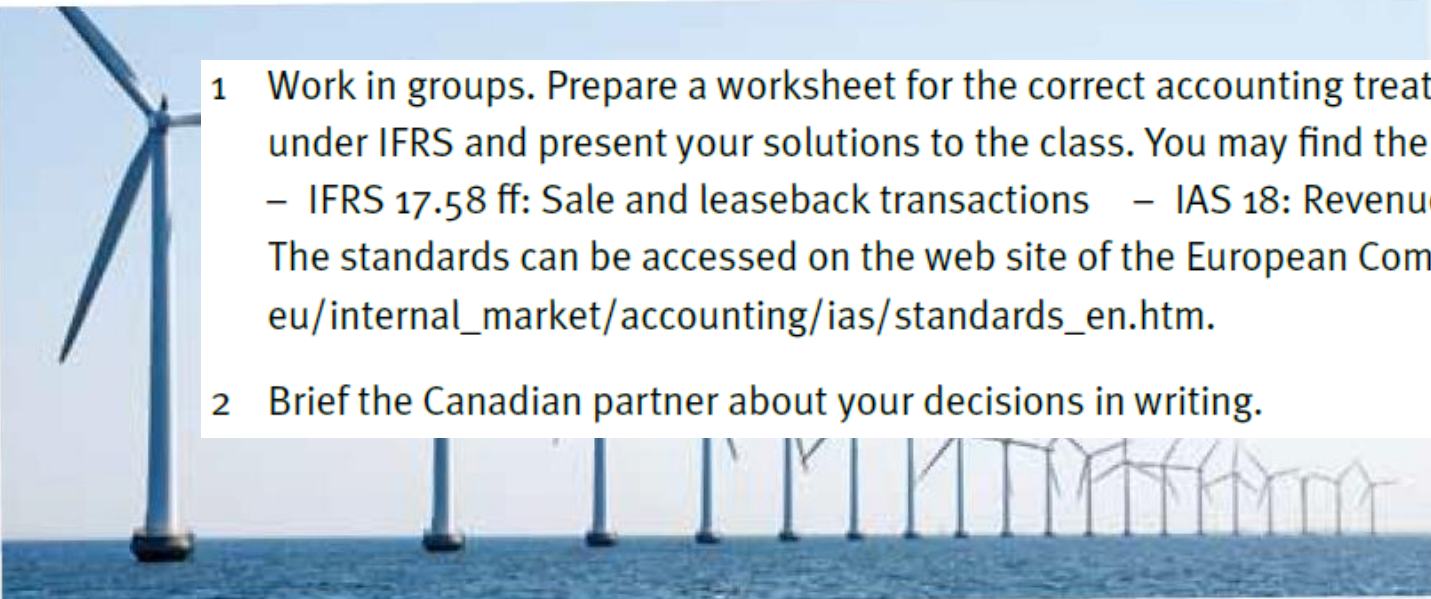
Are the subsidiary's interest and dividend payments to its German parent eligible for treaty benefits in the United States?

States; and

bb) a person, more than 50 percent of the gross income of which is not used, directly or indirectly, to meet liabilities (including liabilities for interest or royalties) to persons not entitled to benefits of this Convention under subparagraphs a), b), d), or f) or who are not citizens of the United States; or

- f) a not-for-profit organization that, by virtue of that status, is generally exempt from income taxation in its Contracting State of residence, provided that more than half of the beneficiaries, members, or participants, if any, in such organization are persons that are entitled, under this Article, to the benefits of this Convention.

## Case Study: Nordsee Windpark GmbH

- 
- 1 Work in groups. Prepare a worksheet for the correct accounting treatment of this transaction under IFRS and present your solutions to the class. You may find the following IFRS useful:
    - IFRS 17.58 ff: Sale and leaseback transactions
    - IAS 18: Revenue recognitionThe standards can be accessed on the web site of the European Commission: [http://ec.europa.eu/internal\\_market/accounting/ias/standards\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/standards_en.htm).
  - 2 Brief the Canadian partner about your decisions in writing.

Thomas Meyer is assurance assistant at the German branch of an international accounting firm. His current assignment is 'Nordsee Windpark GmbH', a German company. It is the target of a Canadian private equity firm. The most important item of the due diligence audit is a sale and leaseback transaction by NW GmbH. It built an off-shore wind farm costing €8.0 billion. The German company sold it to a leasing bank for €9.8 billion (fair value of the asset) and leased it back immediately for 20 years. The German company accounted the €9.8 billion as revenue and the €8.0 billion as cost, resulting in a profit of €1.8 billion.



You are Betty or Bernard Longhorn. You moved to Germany last year, and you prepared and filed your tax return for last year with the help of a colleague from work. You have just received your tax notice, and you have difficulties in understanding it. Get your advisor to explain to you the following:

- *Werbungskosten*
- *Solidaritätszuschlag*
- *Kirchensteuer*
- *Sonderausgaben*

Ask follow-up questions if your advisor is not precise enough. You are particularly suspicious of ‘solidarity tax’ and ‘church tax’, and are wondering how to avoid these taxes.

You are Steuerberater/in Hofer. Listen to your client and answer his/her questions.

Here are some expressions you may wish to use:

*X tax arises when ...*

*This is a special tax for ...*

*This item refers to income-related expenses, for example ...*

*Your tax office has considered EUR ...*

*X are special expenses that you incur for certain types of insurance, such as health and pension insurance.*

*You can deduct a partial amount / the full amount. Instead of quoting actual amounts, you can use an allowance, for example EUR ... for income-related / special expenses.*

You are Betty or Bernard Longhorn. You have been working as a self-employed consultant for three years, helping people with drafting their job applications. Your clients are interested in working abroad. Some also apply to international companies with subsidiaries or offices in Germany. They need covering letters and CVs, and they sometimes ask for interview preparation. Your service includes help with drafting and proofreading.

So far, your turnover has looked like this:

Year 1: €4,600

Year 2: €7,400

Last year: €9,800

You have not charged VAT yet, and would prefer avoiding the hassle. Most of your customers are private clients, so VAT would make your service more expensive for them. You are not sure how your business will develop, but you have already been hired by a major training provider to deliver ten workshops this year. They will pay €3,000 per workshop. Seek advice on VAT implications.

You are Steuerberater/in Hofer. Elicit relevant information and advise your client. §19 UstG reads as follows:

- (1) Die für Umsätze geschuldete Umsatzsteuer wird von Unternehmern nicht erhoben, wenn der Umsatz zuzüglich der darauf entfallenden Steuer im vorangegangenen Kalenderjahr 17.500 Euro nicht überstiegen hat und im laufenden Kalenderjahr 50.000 Euro voraussichtlich nicht übersteigen wird.
- (2) Der Unternehmer kann dem Finanzamt bis zur Unanfechtbarkeit der Steuerfestsetzung erklären, dass er auf die Anwendung des Absatzes 1 verzichtet. Nach Eintritt der Unanfechtbarkeit der Steuerfestsetzung bindet die Erklärung den Unternehmer mindestens für fünf Kalenderjahre. Sie kann nur mit Wirkung von Beginn eines Kalenderjahres an widerrufen werden. Der Widerruf ist spätestens bis zur Unanfechtbarkeit der Steuerfestsetzung des Kalenderjahres, für das er gelten soll, zu erklären.

## Complete the following IFRS terminology table.

English	German
	Bilanz
	Gesamtergebnisrechnung
	Eigenkapitalveränderungsrechnung
	Kapitalflussrechnung
	Anhang
property, plant and equipment	
intangible assets	
trade and other receivables	
provisions	
revenue	
finance costs	
tax expense	

**Which items are presented in a statement of a) financial position and b) comprehensive income?**

## TYPES OF BUSINESSES

Did you  
know ?

## BOARD OF DIRECTORS

Did you  
know ?

## TAX PROFESSIONALS IN THE UK AND USA

Did you  
know? ?

The usual English equivalent of *Steuerberater/in* is 'tax advisor' (also spelled 'tax adviser') or 'tax consultant'. But many native speakers use the term *accountant*. This term is also used for professional auditors, or public accountants, in both the UK (Chartered Accountants) and the US (Certified Public Accountants). There are no formal requirements for giving tax advice or preparing returns in the US. However, only certain professionals, such as attorneys, Certified Public Accountants, Enrolled Agents and Enrolled Actuaries are allowed to act before the tax authorities. Codes of conduct are outlined in a circular. In the UK, there are various professional organizations that set similar standards. For more information, go to:

- [www.tax.org.uk](http://www.tax.org.uk) (Chartered Institute of Taxation – CIOT) (UK)
- [www.att.org.uk](http://www.att.org.uk) (Association of Taxation Technicians – ATT) (UK)
- [www.irs.gov/pub/irs-pdf/pcir230.pdf](http://www.irs.gov/pub/irs-pdf/pcir230.pdf) (Treasury Department Circular 230) (US)

GmbH  
AG

private limited company  
public limited company

privately held corporation  
publicly traded corporation

If you want to distinguish a *Personengesellschaft* from a *Partnerschaftsgesellschaft*, you can refer to the latter as a 'professional partnership'.



What do you know about the much-publicized Enron accounting scandal? Exchange information in class then read the article. What additional things do you find out?

## THE ENRON STORY

In 2000, Enron Corporation was one of the world's leading electricity companies, employing 22,000 people and generating revenues of \$100bn. The company is now known for one of the biggest accounting scandals in history, with vast consequences for international accounting, governing and auditing principles. The company used creative accounting techniques to hide losses and keep debts off its books. After this became public, it went bankrupt within a few months, and its share price plunged from \$95 to below \$1.

In a letter an employee wrote to Enron's CEO in 2001, the accounting treatment of several transactions and deconsolidated special purpose entities was questioned, including the ownership the firm's CFO held in a related entity, the accounting methods applied throughout the group, the adequacy of the public disclosure, and the potential impact on the firm's financial statements. The employee described a 'veil of secrecy' and noted that several senior employees consistently questioned the corporation's accounting methods: 'I am incredibly nervous that we will implode in a wave of accounting scandals. Is there a way our accounting gurus can unwind these deals now? We booked the deals, enjoyed a wonderfully high stock price, many executives sold stock, we then try to reverse or fix the deals and it's a bit like robbing



the bank in one year and trying to pay back two years later. Nice try, but investors were hurt, they bought at \$70 and \$80 dollars looking for \$210 per share and now they're at \$38 or worse.' The management instructed a law firm to investigate the concerns raised, but concluded that no further investigation was necessary.

But the story unfolded as it had to, and the company went bankrupt. It had to unwind nearly 2,400 business entities and 55 special purpose entities. The company's executives and their auditors faced criminal charges; many were sent to prison. The US government as well as Enron itself formed committees that investigated the events and published comprehensive reports. Subsequently, accounting practices of many corporations throughout the United States came under scrutiny. This led to the creation of the Sarbanes-Oxley Act. And it caused the dissolution of one of the largest international accounting firms, Arthur Andersen, which was Enron's auditor.

bankrupt *insolvent* to plunge *abstürzen*

veil *Schleier* to unwind *abwickeln, rückgängig machen*

to be under scrutiny *auf dem Prüfstand stehen* dissolution *Auflösung*

Vocabulary  
assistant



# What do you know about accountants in other countries? Read the text and discuss the questions.

## The accountancy profession in the UK

*The Institute of Chartered Accountants in England & Wales (ICAEW) was established by a Royal Charter in 1880. It has over 130,000 members. Over 15,000 of these members live and work outside the UK. The Institute also has some 9,000 students.*

The Institute is a member of the Consultative Committee of Accountancy Bodies (CCAB), formed in 1974 by the major accountancy professional bodies in the UK and Ireland. The fragmented nature of the accountancy profession in the UK is in part due to the absence of any legal requirement for an accountant to be a member of one of the many institutes. This is because the term accountant does not have the same legal protection in the United Kingdom as that given to, say, doctors and lawyers. There are, though, certain legal rights and duties which are available to professionally qualified accountants. For example, individuals who operate in the areas of audit and insolvency must be registered, and only members of certain accountancy bodies (such as the ICAEW) are eligible for such registration. Likewise individuals who describe themselves as 'chartered accountants' must be a member of an accountancy body which holds a Royal Charter, and if working in public practice these chartered accountants must comply with additional regulations such as holding indemnity insurance and submitting to regular and independent inspections.

Until the mid-nineteenth century the role of accountants in England and Wales was restricted to that of bookkeepers in that accountants merely maintained records of what other business people had purchased and sold. However, with the growth of the limited liability company

and large-scale manufacturing and logistics in Victorian Britain, a demand was created for more technically proficient accountants to deal with the increasing complexity of accounting transactions, including depreciation of assets, inventory valuation and company legislation.

To improve their status and combat criticism of low standards, accountants in the cities of Britain formed professional bodies. The ICAEW was formed from the five of these associations that existed in England prior to its establishment by Royal Charter in May 1880.

In 2005 the ICAEW sought to merge with the Chartered Institute of Management Accountants (CIMA) and the Chartered Institute of Public Finance and Accountancy (CIPFA). However, this project proved unsuccessful. The Institute also announced at this time that it was considering dropping the reference to England and Wales in its title to become the Institute of Chartered Accountants. However, this plan was also withdrawn.

The Institute introduced a new syllabus in 2007. In order to make it more appealing to prospective students, the policy of time-barring students has been removed, and the mandatory examinations will become more flexible based on a modular structure. In addition to paper-based assessments, there are now computer-based assessments of objective test questions (multiple choice).

*Source: Wikipedia*

## Over to you

- Is there an equivalent body in your country?
- How is it organized?
- What are its functions?



## J.P. Morgan Fined Over Subprime Mortgage Securities



NEW YORK – Investment bank J.P. Morgan has settled with the US Securities & Exchange Commission (SEC) over improperly marketing certain complex mortgage-backed security assets near the beginning of the financial crisis. The investment bank will pay \$154 million to the SEC to settle the suit.

The SEC charged that J.P. Morgan improperly marketed certain synthetic CDOs (collateralized debt obligations) to clients, without disclosing that a hedge fund, which was betting against the CDOs, had assisted in picking the assets. 'What J.P.

Morgan failed to tell investors was that a prominent hedge fund that would financially profit from the failure of CDO portfolio assets heavily influenced the CDO portfolio selection. With today's settlement, harmed investors receive a full return of the losses they suffered,' said Robert Khuzami, SEC's head of enforcement.

### Over to you

- Is there an institution equivalent to the SEC in your country? Does it have the power to impose fines or bring lawsuits?
- Have you heard of other cases, either in your country or abroad, where clients were awarded damages for their bank's wrongdoings?
- What safeguards should be in place to protect individuals from investing in complex financial instruments they may not understand?

# Situation

You are Christopher Smith from England. You have been living in Germany for one year, and you are working in the export department of a local company. You have just received the enclosed letter from your bank, announcing

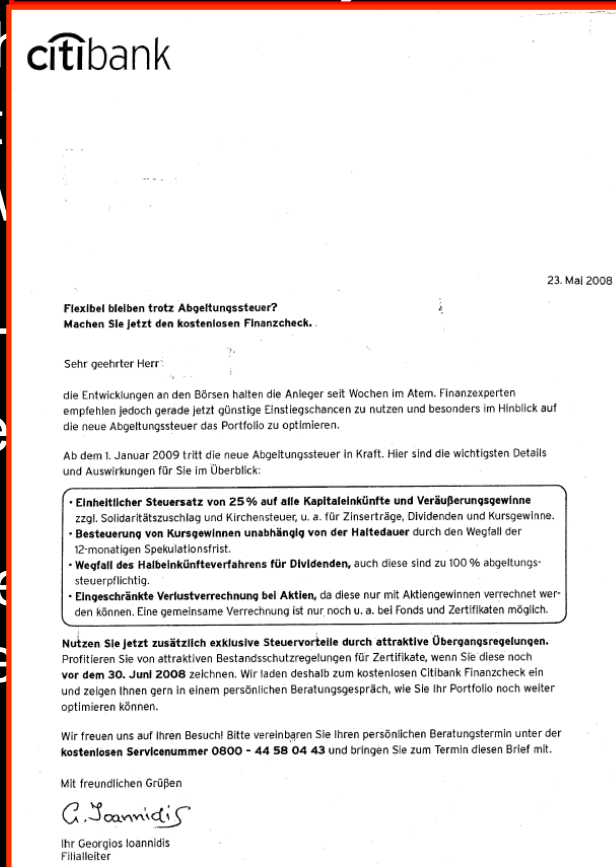
tax changes that might affect your tax adviser. You hold the following:

- a deposit account with an interest of 3%.

- 100 shares British Telecom, bought 15 months ago, paying a dividend of 10%.

- 500 shares ...

You also consider investing in real estate certificates if that proves to be beneficial.



## Situation

Sie werden von einem englischsprachigen Mandanten aufgesucht, der vor kurzem von England nach Deutschland umgezogen ist. Ab nächstem Monat ist er bei einer Firma als Exportsachbearbeiter mit einer wöchentlichen Arbeitszeit von 30 Std. beschäftigt. Sein monatliches Bruttogehalt von € 2.000 würde er gerne aufbessern. Er überlegt daher, als freier Mitarbeiter bei einigen Sprachschulen zu arbeiten, um seine Muttersprache zu unterrichten. Er möchte von Ihnen wissen, was er hierbei beachten muss. Beraten Sie den Mandanten unter Berücksichtigung folgender Punkte:

### **§ 3 Nr. 26 EStG lautet:**

Steuerfrei sind Einnahmen aus nebenberuflichen Tätigkeiten als Übungsleiter, Ausbilder, Erzieher, Betreuer oder vergleichbaren nebenberuflichen Tätigkeiten.


### **§ 19 UStG lautet im hier relevanten Auszug:**

(1) Die für Umsätze geschuldete Umsatzsteuer wird von Unternehmern nicht erhoben, wenn der Umsatz zuzüglich der darauf entfallenden Steuer im vorangegangenen Kalenderjahr 17.500 Euro nicht überstiegen hat und im laufenden Kalenderjahr 50.000 Euro voraussichtlich nicht übersteigen wird.

### **§ 2 SGB VI lautet:**

Versicherungspflichtig sind selbständig tätige Lehrer und Erzieher, die im Zusammenhang mit ihrer selbständigen Tätigkeit regelmäßig keinen versicherungspflichtigen Arbeitnehmer beschäftigen.

- Gehen Sie auf die Konsequenzen aus § 2 SGB VI ein.

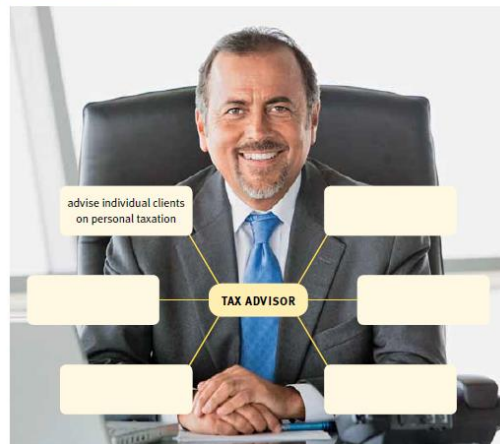
PAGE	UNIT TITLE	TOPICS	USEFUL LANGUAGE AND SKILLS
5	<b>1 Introduction to taxation and auditing</b>	What tax advisors do Meeting clients Work, education and training of tax professionals in Germany, the UK and USA	Establishing rapport with clients, greeting them, offering hospitality, making small talk Giving advice
13		<p>ses</p> <p>f taxes</p> <p>nd deductions</p> <p>t interviews</p>	<p>Arranging an appointment</p> <p>Making phone calls</p> <p>Giving advice</p> <p>Being more or less formal</p>
20		of the	<p>Advising a freelancer</p> <p>Giving advice on a start-up</p> <p>Explaining corporation and trade tax</p> <p>Calculating trade tax</p> <p>Writing letters</p>
28		<p>treaties</p> <p>operation</p>	<p>Giving a presentation</p> <p>Writing taxes</p> <p>Explaining and calculating VAT</p> <p>Chairing and participating in teleconferences</p>
40		<p>Financial statements</p> <p>Internal and external auditing</p> <p>Global accounting trends</p>	<p>Analyzing annual reports</p> <p>Explaining financial statements</p> <p>Reading auditors' reports</p>
49	<b>6 Auditing in a globalized environment</b>	Corporate governance The Enron scandal Creative accounting Compliance and Sarbanes-Oxley Risky investments	Describing processes, trends and developments Talking about companies and affiliates Holding meetings



## 1 Introduction to taxation and auditing



What does a tax advisor do? Complete the diagram, then compare and discuss with other members of the class.



### 1 Discuss the following questions.

- 1 What are typical issues tax advisors are faced with?
- 2 Does everybody need tax advice? Are there clients who are more in need of advice than others?
- 3 What other professionals/institutions are there whose advice can be sought?
- 4 What sort of work are you personally involved in?

## 2 Advising employees



Here are some taxes you might have to deal with when advising individuals. Can you complete the missing letters?

- |                                 |                                       |
|---------------------------------|---------------------------------------|
| 1 PA _ _ E                      | 5 p _ o _ p _ r _ t _ y               |
| 2 s o _ i _ d _ _ r _ i _ t _ y | 6 i _ _ h e r i t a _ _ c e           |
| 3 c a p i t a l _ _ a i _ _ s   | 7 _ _ i _ f _ t                       |
| 4 e x _ _ i _ s _ e             | 8 p r o p e r t y _ _ r a n s _ _ e r |

Which of the following situations or transactions attract the taxes mentioned above? In some cases, more than one answer is possible.

- a dividend payments
- b regular pay from your employer
- c owning a flat
- d buying a house
- e interest paid to you



1 Tim Hill is calling the office of Steuerberater Herrmanns, a German tax firm based in Düsseldorf. He wants to fix an appointment. Listen for the key information.

- 1 What day and time does Tim agree with the office assistant?
- 2 How can he get to the office?
- 3 How much is he going to have to pay for the consultation?



What key information for Mr Herrmanns does Ms Goldschmidt note in the office diary?

## 3 Advising freelancers and entrepreneurs



Who qualifies as a self-employed person? Name and explain some professions that are typically freelance.



### 1 Discuss these questions.

- 1 Is it important to distinguish a freelancer from someone who operates a commercial business?
- 2 What happens if someone pursues multiple professions that fall into different categories?
- 3 Are the different regulations, in your opinion, justified from a professional, social and tax point of view?



2 Three years after coming to Germany, British national Tim Hill has another meeting with German tax advisor Hans Herrmanns. Listen and answer the questions.

- 1 What small-talk topics do they swap?
- 2 What is the reason for Tim's visit?



3 Read and listen to the rest of the meeting. What is the tax advisor's advice on VAT?

Hans I see. There are a variety of things you'll have to do in connection with taxes. First, you'll have to inform your tax office. There is a special form to be filled in with questions about your type of work and your expected turnover. Then you'll have to prepare invoices that match certain criteria. For example, you'll have to include your tax number and assign invoice numbers. I'll send you the details and a sample invoice.

## 4 International taxation



How do companies and individuals deal with income which is earned in more than one country? How and where is it taxable? What regulations or accounting principles are you familiar with?

1 Double-taxation treaties or conventions are designed to foster investment across borders by avoiding multiple taxation. Here are some key terms used by German speakers. Explain what they mean in your own words.

- |                       |                         |
|-----------------------|-------------------------|
| 1 183 Tage            | 4 Freistellungsmethode  |
| 2 Wohnsitzlandprinzip | 5 Welteinkommensprinzip |
| 3 Quellenlandprinzip  | 6 Anrechnungsmethode    |

Now match the expressions to terms used in English.

- |                               |                                  |
|-------------------------------|----------------------------------|
| a exemption method            | d country of residence principle |
| b credit method               | e world income principle         |
| c country of source principle | f 183 days                       |

### 2 Read this information about the OECD and discuss possible definitions of the term 'permanent establishment'.

The Organisation for Economic Co-operation and Development (OECD), founded in 1961 and headquartered in Paris, publishes and updates a model tax convention which serves as a widely-used template. The section on the taxation of business profits reads:

"Profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein."

## 5 Auditing



Who are the other two members of the Big Four? What do you know about the Big Four, their history, and any crises they have faced?



### 1 Discuss these questions about annual reports.

- 1 What are the purposes of annual reports? Why are they compiled?
- 2 Here are some headings taken from the table of contents of an annual report. What is addressed under the different sections?

- |                     |                          |
|---------------------|--------------------------|
| a Executive summary | d Governance             |
| b Business          | e Financials             |
| c Performance       | f Additional information |

### 3 Under which heading would you expect to find information about the following?

- |                           |                         |
|---------------------------|-------------------------|
| 1 Definition of terms     | 5 Audit report          |
| 2 Directors' remuneration | 6 Products and services |

## 6 Auditing in a globalized environment



What does 'Corporate Governance' mean? What role does it play in business? Are there official rules in your country or in other countries you know of? What significant developments have occurred in Corporate Governance in the last 25 years?



### 1 Here are some of the topics which are often addressed in conjunction with governance issues. Match the expressions to the definitions below.

- 1 Compensation of the board
  - 2 Selection process
  - 3 Annual review
  - 4 Compliance
  - 5 Policy on poison pills
  - 6 Executive misconduct
  - 7 Risk management
- a measures taken to discourage takeovers, e.g. a shareholder rights plan  
b study and evaluation each year of a key area, e.g. pay and performance of directors  
c pay and additional benefits of the people who run an organization  
d managers acting in a wrong way, or one which harms the business  
e identifying and handling issues that could be problems for a company's business, finances or

# Transcripts

## UNIT 1, Exercise 3

*Speaker* Good morning, ladies and gentlemen. My name is Franziska Schneider and I work for the German National Tax Bar. I'm here to give you a brief overview on the tax advising business in Germany. I will first talk about what our advisors do, then how much they cost and I will conclude by saying something about how you can become a tax consultant.

## UNIT 1, Exercise 4

*Speaker* So first let me tell you something about the scope of a tax consultant's work. Tax advisors provide comprehensive support in tax matters. This includes advice in tax and business administration matters, and representation before tax offices and in fiscal courts. They prepare tax returns and financial statements, and they check the tax assessments made by your tax office. Tax advisors can also do your bookkeeping and payroll accounting, and advise on start-ups, asset management and social security matters. But they can't give general legal advice or audit statements.

## UNIT 1, Exercise 5

*Speaker* You might be interested in fees. The payment of tax advisors is governed by federal law. It involves a statutory fee schedule. This schedule relates to the value of the matter in question or the time spent on it. As tax advisors are liable for the advice they give and the work they conduct, they are obliged to take out professional indemnity insurance

## UNIT 1, Exercise 8

*Karl* Ms. Jones, isn't it? My name is Schenkel, Karl Schenkel.

*Martina* Nice to meet you.

*Karl* If you'd like to follow me to my office, please. Is this your first visit to Stralsund, Ms Jones?

*Martina* Yes, it is, and I like it very much. I've had the chance to look around a bit before coming to your office. I retired last year and decided to move to Rügen after working in the Ruhrgebiet for many years.

*Karl* You've certainly chosen the right place.

*Martina* Rügen is a wonderful island, it's just wonderful.

*Karl* Where are you from originally?

*Martina* I'm from Wales.

*Karl* Another beautiful place. ... So, this is my office. Please have a seat, Ms Jones. May I offer you a cup of tea?

*Martina* I'd love one.

*Karl* With milk, I guess.

*Martina* Of course, oh, and you even have real milk, what a treat! I was at a law firm the other day, and I had to put evaporated milk in my tea.

*Karl* We do what we can, Ms. Jones. I understand you've spent quite some time in Germany and decided to stay?

*Martina* Yes, that's right. Almost 20 years. My husband passed away last year, and we spent holidays in many different places in Germany. I just love Rügen, so I chose it as my 'final destination'. Sylt is nice, too – but with my pension and the taxes I might have to pay, I think I'll have a better life on Rügen. Which brings me to my question: I understand my pension will be taxed?



## UNIT 2, EXERCISE 4

## FILE 01

You are Betty or Bernard Longhorn. Call the office of Steuerberater Hofer and make an appointment. You have received a letter from your tax office that you do not understand and need help. The first suggestion for a meeting doesn't suit you. Accept the second one.

## UNIT 2, EXERCISE 13

## FILE 02

You are Betty or Bernard Longhorn. You moved to Germany last year, and you prepared and filed your tax return for last year with the help of a colleague from work. You have just received your tax notice, and you have difficulties in understanding it. Get your advisor to explain to you the following:

- *Werbungskosten*
- *Solidaritätszuschlag*
- *Kirchensteuer*
- *Sonderausgaben*

Ask follow-up questions if your advisor is not precise enough. You are particularly suspicious of 'solidarity tax' and 'church tax', and are wondering how to avoid these taxes.

## UNIT 3, EXERCISE 4

## FILE 03

You are Betty or Bernard Longhorn. You have been working as a self-employed consultant for three years, helping people with drafting their job applications. Your clients are interested in working abroad. Some also apply to international companies with subsidiaries or offices in Germany. They need covering letters and CVs, and they sometimes ask for interview preparation. Your service includes help with drafting and proofreading.

So far, your turnover has looked like this:

Year 1: €4,600

Year 2: €7,400

Last year: €9,800

You have not charged VAT yet, and would prefer avoiding the hassle. Most of your customers are private clients, so VAT would make your service more expensive for them. You are not sure how your business will develop, but you have already been hired by a major training provider to deliver ten workshops this year. They will pay €3,000 per workshop. Seek advice on VAT implications.

## UNIT 2, EXERCISE 4

## FILE 04

Use your own name. You are Steuerberater Hofer's assistant and take a phone call from a client. Suggest a meeting date. Ask the client to spell his/her name. Ask for the client's phone number and read it back to him/her.

## UNIT 2, EXERCISE 13

## FILE 05

You are Steuerberater/in Hofer. Listen to your client and answer his/her questions.

Here are some expressions you may wish to use:

*X tax arises when ...*

*This is a special tax for ...*

*This item refers to income-related expenses, for example ...*

*Your tax office has considered EUR ...*

*X are special expenses that you incur for certain types of insurance, such as health and pension insurance.*

*You can deduct a partial amount / the full amount. Instead of quoting actual amounts, you can use an allowance, for example EUR ... for income-related / special expenses.*

## UNIT 3, EXERCISE 4

## FILE 06

You are Steuerberater/in Hofer. Elicit relevant information and advise your client. §19 UstG reads as follows:

(1) Die für Umsätze geschuldete Umsatzsteuer wird von Unternehmern nicht erhoben, wenn der Umsatz zuzüglich der darauf entfallenden Steuer im vorangegangenen Kalenderjahr 17.500 Euro nicht überstiegen hat und im laufenden Kalenderjahr 50.000 Euro voraussichtlich nicht übersteigen wird.

(2) Der Unternehmer kann dem Finanzamt bis zur Unanfechtbarkeit der Steuerfestsetzung erklären, dass er auf die Anwendung des Absatzes 1 verzichtet. Nach Eintritt der Unanfechtbarkeit der Steuerfestsetzung bindet die Erklärung den Unternehmer mindestens für fünf Kalenderjahre. Sie kann nur mit Wirkung von Beginn eines Kalenderjahres an widerrufen werden. Der Widerruf ist spätestens bis zur Unanfechtbarkeit der Steuerfestsetzung des Kalenderjahres, für das er gelten soll, zu erklären.

## UNIT 3

page 20

### Start-up

Freelancers (in the sense of German *Freiberufler*) are self-employed and perform scientific, artistic, authorial, teaching or educational work. Examples include musicians, painters, journalists, writers, teachers and translators, but also doctors and dentists, architects, lawyers, tax advisors and auditors. Their work is immaterial and creative. They need to be distinguished from traders (*Gewerbetreibende*). Freelancers have less registration and reporting requirements. They do not need to prepare annual financial statements – a simple calculation of revenues and expenses (profit and loss / cash accounting) is sufficient. Freelancers do not become compulsory members of the Chamber of Commerce or Trade, and they do not have to contribute to the state accident insurance scheme. They are not required to pay trade tax.

- 11 1. nice to meet you  
2. Yes, it is, and I like it very much.  
3. I'd love one.

12 1, 3, 4.

- 13 1. assurance services  
2. freedom  
3. adherence

14 2 h, 3 d, 4 f, 5 a, 6 b, 7 e, 8 c

## UNIT 5

page 40

### Start-up

The Big Four (Deloitte & Touche, Ernst & Young, KPMG, PricewaterhouseCoopers) are the largest accounting firms in the world. Until the end of the 20th century, it was a group of eight. Its number was reduced to five by several mergers, later to four following the dissolution of Arthur Andersen in the course of the Enron scandal.

- 1 1 Annual reports inform shareholders about the financial standing of their company. They traditionally begin with a letter from the company's Chairman or Chief Executive, summarizing relevant developments. They also provide specific information on new products and services, business performance and social responsibility. Sections on corporate governance and the remuneration of directors have become an integral part, too. Annual reports also contain financial statements and a report by independent auditors, also referred to as auditor's opinion.

- 8 1. depend on  
2. deduct, on, exceeding  
3. taken into account  
4. expect  
5. file  
6. receipt, reference number  
7. assist, arises  
8. free

Generally speaking, the bigger the business, the wiser it can be to move towards a limited company. Sole traders can pursue any business. They operate on their own, manage their business independently and are their own boss. Operations such as hairdressers, tailors and small retailers are typical examples of sole traders. They can be run by a single person (the 'proprietor' or 'owner') and do not require a statutory minimum capital. The owner is, however, personally liable for any obligations or debts. In partnerships, management and liability can rest on many shoulders. Despite a few exceptions (KG and GmbH & Co. KG), all partners are personally liable. There are no capital requirements. Limited companies are more difficult to set up. You need specific minimum capital (GmbH: € 25,000; AG: € 50,000), registration and formal documentation (articles of association, certified by a notary). Therefore, the costs are higher, but the liability is limited by shares. This means that it only extends to the share capital or equity of the company, not to its members or shareholders.

For these reasons, a small trading business where the risks are considerably low, can very well be run as a sole trader or partnership. A limited company should be considered for medium-sized and large businesses, especially if liability is a primary concern. It's also possible to go for something 'in between': In a limited partnership (KG = *Kommanditgesellschaft*), liability rests on the general partner (*Komplementär*) only. Likewise, the very German GmbH & Co. KG has a limited company, and not an individual, as its liable general partner.

Clothing 19 %, stamps 0 %, books 7 %.  
 0 %: Doctors, dentists, physiotherapists, midwives, hospitals, theatres, museums, zoos orchestras, schools, universities, house rent, bank loans.

7 %	19 %
fruit	fruit juice
milk	soy milk
tap water	mineral water
coffee beans/powder	brewed coffee
potatoes	sweet potatoes
salt	road salt
books	ebooks
flowers + leaves (if fresh)	flowers + leaves (if dried)
wheelchairs	stair lifts
local public transport	regional public transport
horses	donkeys
fish	ornamental fish
ducks	wild ducks
fertilizer	potting soil
McDonald's (take-away)	McDonald's (eat-in)

## A–Z word list

### A

to <b>abolish</b> [ə'boʊlɪʃ]	abschaffen	to <b>adjourn</b> [ə'dʒɜːn]	vertagen
<b>abolition</b> [ə'boʊlɪʃn]	Abschaffung	<b>administrative</b> [əd'mɪnɪstrətɪv]	Verwaltungs-
to <b>abridge</b> [ə'brɪdʒ]	(Text) kürzen	<b>administrative burden</b>	Verwaltungsaufwand
<b>absence</b> ['æbsəns]	Fehlen, Nichtvorhandensein	[əd'mɪnɪstrətɪv 'bɜːdn]	
<b>abundance</b> [ə'bʌndəns]	Fülle	to <b>admit to sth</b> [əd'mɪt tə]	etw zugeben, eingestehen
<b>accidentally</b> [ˌæksɪ'dentəli]	unabsichtlich	to <b>adopt</b> [ə'dɒpt]	annehmen, einführen, über-
<b>accommodation</b> [ə,kəmə'deɪʃn]	Unterbringung, Unterkunft		nehmen, verabschieden
<b>accordance, in ~ with</b>	in Übereinstimmung mit	<b>adoption</b> [ə'dɒpʃn]	Einführung, Verabschiedung,
[ɪn ə'kɔːdəns wɪθ]			Übernahme, Annahme
<b>according to</b> [ə'kɔːdɪŋ tə]	laut, nach, gemäß	<b>advance payment</b>	Vorauszahlung
to <b>account sth</b> [ə'kaʊnt]	etw verbuchen, buchen	[əd'vɑːns 'peɪmənt]	
to <b>account for sth</b> [ə'kaʊnt fɔː]	für etw verantwortlich sein	<b>advantage, to take ~ of sth</b>	etw nutzen, etw wahrnehmen
<b>account, to take sth into ~</b>	etw berücksichtigen	[ˌteɪk əd'vɑːntɪdʒ əv]	
[ˌteɪk ɪntu ə'kaʊnt]		<b>advantageous</b> [əd'vɑːntɪdʒəs]	vorteilhaft
<b>account, bank ~</b> ['bæŋk əkaʊnt]	Bankkonto, Girokonto	<b>advice</b> [əd'vaɪs]	Beratung, Rat, Tipp
<b>accountability</b> [ə'kaʊntə'bɪləti]	Verantwortlichkeit, Haftung	<b>advice, tax ~</b> ['tæks ədvaɪs]	Steuerberatung
<b>accountancy</b> [ə'kaʊntənsi]	Buchführung	to <b>advise sb</b> [əd'vaɪz]	jdn beraten
<b>accountant</b> [ə'kaʊntənt]	Buchhalter/in, Steuerberater/in	<b>advisor, tax ~</b> ['tæks ədvaɪzə]	Steuerberater/in
<b>accountant, Certified Public A~</b>	Wirtschaftsprüfer/in	to <b>affect</b> [ə'fekt]	sich auswirken, beeinflussen,
<b>(CPA) (US)</b> [ˌsɜːtɪfaɪd ˌpʌblɪk			betreffen
ə'kaʊntənt]		<b>affiliate</b> [ə'fɪliət]	verbundenes Unternehmen
<b>accountant, Chartered A~ (UK)</b>	Wirtschaftsprüfer/in	to <b>affirm</b> [ə'fɜːm]	bekräftigen, festlegen
[ˌtʃɑːtəd ə'kaʊntənt]		<b>aftermath</b> ['ɑːftəməθ]	Folge, Nachwirkungen
<b>accounting</b> [ə'kaʊntɪŋ]	Buchhaltung, Rechnungswesen	<b>agenda</b> [ə'dʒendə]	Tagesordnung
<b>accounting, cash ~</b>	Einnahmenüberschussrechnung	<b>agreement</b> [ə'ɡriːmənt]	Abkommen
['kæʃ əkaʊntɪŋ]		<b>allowance</b> [ə'laʊəns]	Freibetrag
<b>accounting, creative ~</b>	kreative Buchführung	<b>allowance, tax ~</b> [ˌtæks ə'laʊəns]	Steuerfreibetrag
['kriːtɪv ə'kaʊntɪŋ]		<b>alongside</b> [ə'lɒŋ'saɪd]	neben
<b>accounting, forensic ~</b>	Forensic Accounting	to <b>amend</b> [ə'mend]	ergänzen, ändern
[fɔːrensɪk ə'kaʊntɪŋ]	(Untersuchung von Betrugs-	<b>amortization</b> [ə,mɔːtəɪ'zeɪʃn]	Abschreibung (auf immaterielle
	verdachtsfällen)		Vermögenswerte)



# Glossary

**amortization**

Process of reducing the book value of an intangible asset over a specific number of years.

**Big Four**

The largest accounting firms in the world: Deloitte Touche Tohmatsu, Ernst & Young, KPMG, PricewaterhouseCoopers.

**credit method**

Under double taxation treaties, a way of deducting taxes paid in another state from someone's domestic tax burden.

**depreciation**

Process of reducing the book value of a fixed asset over a specific number of years.

**exemption method**

Under double taxation treaties, a way of not charging taxes on income generated and taxed in another state.

**International Accounting Standards (IAS)**

Accounting standards developed and published by the International Accounting Standards Committee (IASC) between 1975 and 2000.

**International Accounting Standards Board (IASB)**

Successor of the International Accounting Standards Committee (IASC) from 2001, calling new standards developed from then International Financial Reporting Standards (IFRS).

**International Accounting Standards Committee (IASC)**

A private organization, founded in London in 1973. Its objective was to establish uniform, globally accepted accounting principles. It published its first International Accounting Standard (IAS 1) on the presentation of financial statements in 1975. By the end of 2000, it had produced a total of 41 standards. It was succeeded by the International Accounting Standards Board (IASB) in 2001.

**statement of activities**

A financial statement prepared by charities / non-profit organizations, disclosing their income and expenses. It is similar to an income statement and depicts funding sources, programme and administrative costs, as well as restrictions imposed on assets by donors.

**statement of changes in equity**

A statement that shows the amounts of equity the owners have at the beginning and at the end of the reporting period.

**statement of comprehensive income**

Comprehensive income includes net income (profit or loss) and other comprehensive income (OCI), which are certain gains and losses not shown in the statement of income (e.g. unrealized gains/losses on available-for-sale securities, currency and pension liability adjustments).

**statement of expenses**

A presentation of expenses by their functions (e.g. programme, development and fund raising expenses), usually included in the statement of activities of a charity / non-profit organization.

**triangulation**

In EU trade, a chain of supply of goods involving three parties when, instead of the goods physically passing from one party to the next, they are delivered directly from the first party to the last in the chain. For VAT purposes, the first party can declare the transaction as a supply, the last party can treat it as an acquisition. This makes the handling of VAT much easier as the second party, which would usually have to handle this as an acquisition followed by a supply and make appropriate VAT filings, is not involved.



**John Lynch & Alexander Dudziak oHG**

Ruppiner Chaussee 183 · 13503 Berlin · Tel: (030) 531 29 16 · Fax: (030) 531 29 17

Maurer Hubu Rauf Steuerberatungsgesellschaft  
Frau Steuerberaterin Andrea Maurer  
Kurfürstendamm 210  
10719 Berlin

6 March 20..

**Income Tax Assessment for John Lynch & Alexander Dudziak oHG**

Dear Ms Maurer

With reference to our above-mentioned enterprise, we would like to approach you with some queries regarding our tax filings.

First of all, we would like to ask you to advise us on both our corporation and our trade tax burden. Our bookkeeping department has already calculated our taxable income for last year. It amounts to €100,000.

Secondly, we would like to know whether we could save taxes by simply moving our office outside Berlin. Please do the necessary research and provide us with suitable information.

Finally, we would be happy to continue using your services. However, we would appreciate it if you could reconsider your hourly rate. We have been very satisfied in our dealings with your firm, but we also have to consider savings on all fronts. You will be aware that there is a wide choice of accountants, and cutting our costs is paramount to us. We were thinking of a reduction of 20%. Please send us your remuneration agreement if you are prepared to accept our proposal.

We look forward to hearing from you.

Yours sincerely

John Lynch

**North American Layout**

**John Lynch & Alexander Dudziak oHG**

Ruppiner Chaussee 183 · 13503 Berlin · Tel: (030) 531 29 16 · Fax: (030) 531 29 17

March 6<sup>th</sup>, 20..

Maurer Hubu Rauf Steuerberatungsgesellschaft  
Frau Steuerberaterin Andrea Maurer  
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10719 Berlin

**Re: Income Tax Assessment for John Lynch & Alexander Dudziak oHG**

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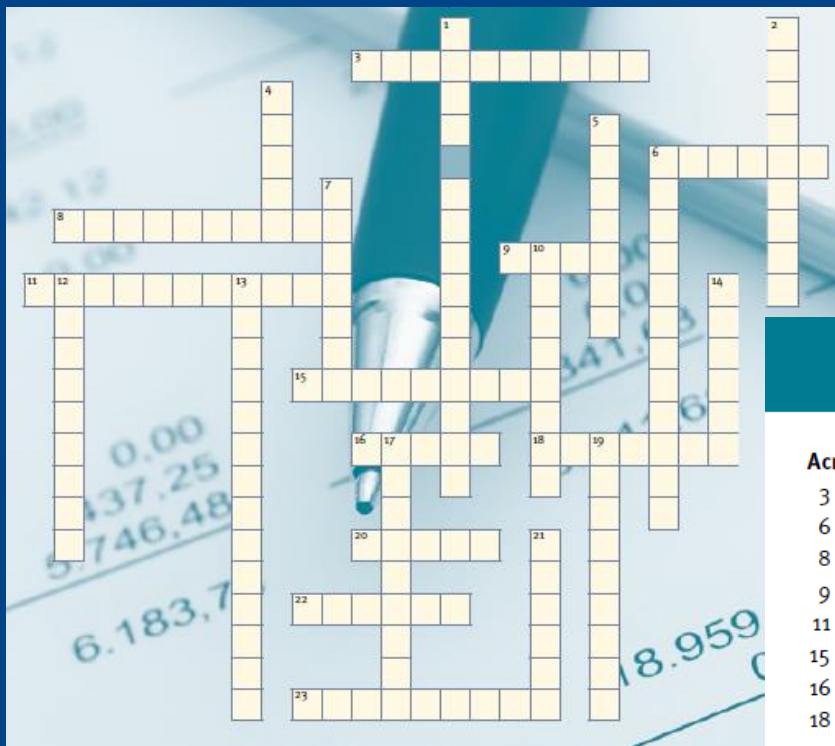
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We look forward to hearing from you.

Sincerely,

John Lynch



## Test yourself!

### Across

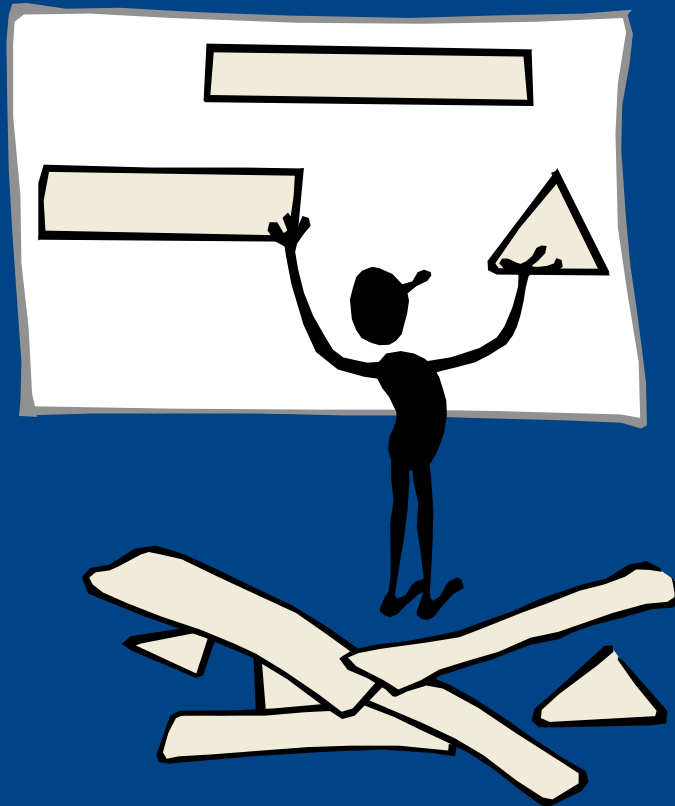
- 3 An asset that does not have a physical nature, such as a patent or goodwill, is this sort of asset.
- 6 A process whereby things are checked.
- 8 Observing the law.
- 9 A non-cash benefit.
- 11 The development or success of a company.
- 15 An item that is subtracted from income before taxation.
- 16 Another word for 'profits'.
- 18 A crime which involves hiding income or assets in order to illegally save taxes.
- 20 An extra payment on top of one's regular salary.
- 22 An agreement between governments, for example in the field of international taxation.
- 23 A limit or ceiling.

### Down

- 1 A simplified method of calculating one's profit instead of drafting a balance sheet.
- 2 A presentation of financial figures.
- 4 A place that offers favourable treatment, such as low taxes or little bureaucracy, is a tax ...
- 5 When income is taxed at the same rate, it falls into the same tax ...
- 6 Money paid in compensation for performed work.
- 7 Money made from sales.
- 10 Costs incurred when generating income.
- 12 A senior manager.
- 13 Another word for 'responsibility'.
- 14 Another word for to 'keep', for example when you keep profits within the business, rather than distributing or paying them to owners or investors.
- 17 A specific amount granted for tax purposes.
- 19 Moving assets or a business to a country with favourable tax rates leads to this.
- 21 Money returned, for example when one has paid too much tax.

## Acronyms

AICPA	American Institute of Certified Public Accountants
B2B	business to business
B2C	business to consumer
CCAB	Consultative Committee of Accountancy Bodies
CCCTB	Common Consolidated Corporate Tax Base
CDO	collateralized debt obligations
CDS	credit default swaps
CG	corporate governance
CGT	capital gains tax
CIMA	Chartered Institute of Management Accountants
CIPFA	Chartered Institute of Public Finance and Accountancy
CIT	corporate income tax
CPA	Certified Public Accountant
CR	Corporate Responsibility
CSR	Corporate Social Responsibility
EBITDA	earnings before interest, tax, depreciation and amortization
EPS	earnings per share
FASB	Financial Accounting Standards Board
GAAP	generally accepted accounting principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAEW	Institute of Chartered Accountants of England & Wales
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard(s)
IRS	Internal Revenue Service
KPI	Key Performance Indicator
TIEA	Tax Information Exchange Agreement
MTT	municipal trade tax
OCI	other comprehensive income
OECD	Organisation for Economic Co-operation and Development
P&L	profit and loss
PAYE	pay as you earn
PCAOB	Public Company Accounting Oversight Board
P/E	price-to-earnings ratio
ROI	return on investment
ROE	return on equity
SEC	Securities & Exchange Commission
SIC	Standing Interpretations Committee
SOX	Sarbanes-Oxley Act
SPE	special purpose entity
TIEA	Tax Information Exchange Agreement
VAT	value-added tax

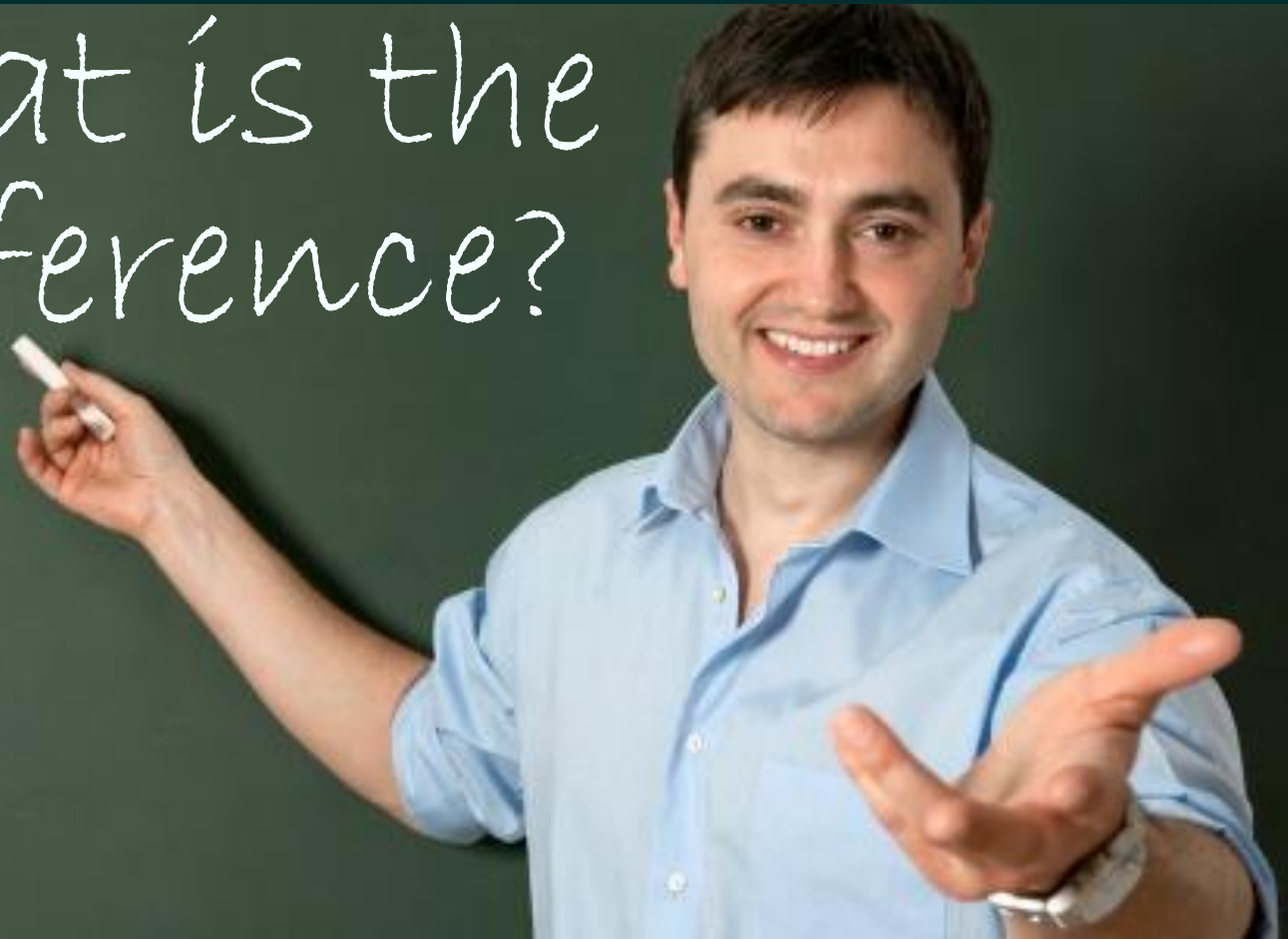


- ▣ Why?
- ▣ How?
- ▣ Can I?





What is the  
difference?



turnover

revenue

sales

income

## TURNOVER, REVENUE, SALES, INCOME

Did you  
know



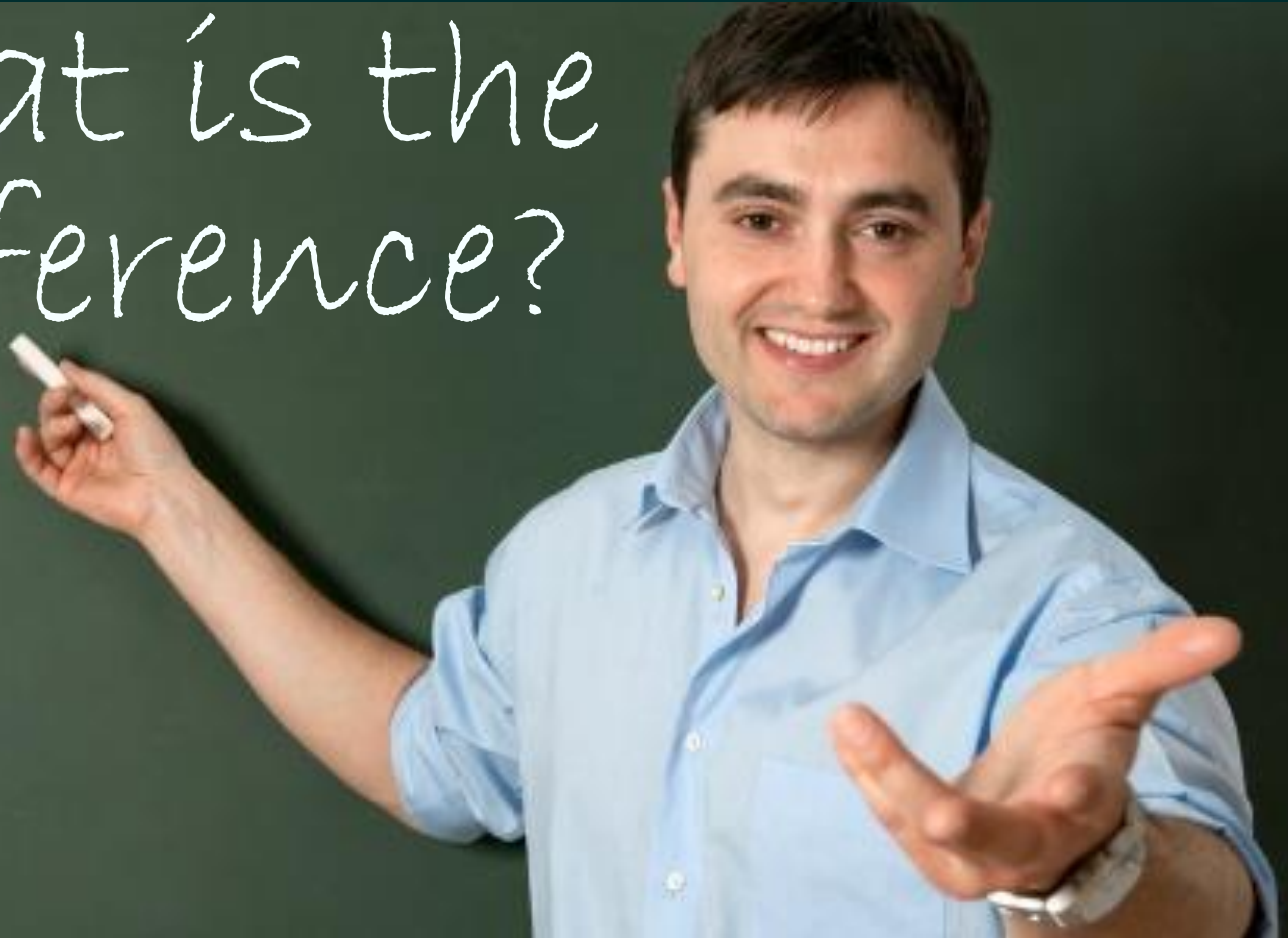
There is widespread uncertainty about the differences between **turnover**, **revenue**, **sales** and **income**. For the layperson, these terms are often the same and refer to money received. In business, and then again in Europe vis-a-vis the US, there are differences.

**Revenue** is a US term for the amount of money a company receives. In Europe, and especially in the UK, the equivalent term is **turnover**. However, under IFRS terminology (International Financial Reporting Standards), 'revenue' is used as an income statement item. The official translation is *Umsatzerlöse*. On the other hand, in the US, 'turnover' refers to changes in inventory, i. e. how often an item is sold and replaced in the course of business. It can also refer to staff, i. e. the number or percentage of employees who joined and left a company in a given period.

**Sales** is revenue or turnover generated from selling goods or services, and is therefore narrower (unless this is the only type of income the company makes). **Income** is a general term mostly used by and for individuals. Yet you may hear accountants using the term 'net income' when referring to profits. State earnings, e. g. taxes and fees, are often referred to as 'government revenues'.



What is the  
difference?



profits

earnings

gains

yields



profits

revenue – expenses

earnings

→ money obtained for  
labour or services

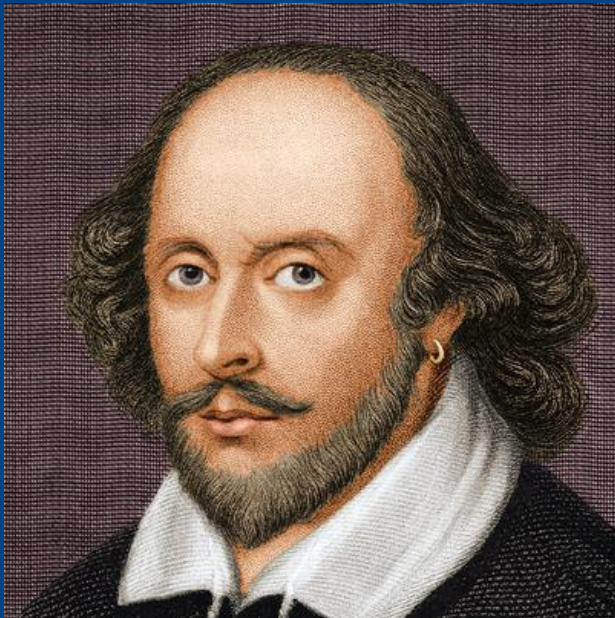
→ business profits (sales – COGS)

gains

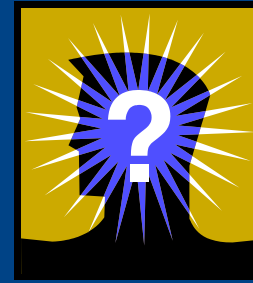
An increase in the value of  
an asset or property.

yields

The return on an investment  
in a security, i.e. interest or  
dividends received.

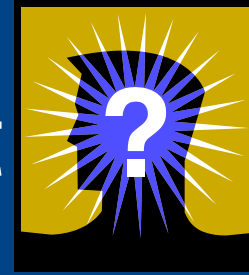


# What do you expect



Trainers have perfect knowledge of their mother tongue, love their country and are eager to pass their knowledge on to our customers. Moreover, they have very good communicative and pedagogical skills, very good manners and are flexible.

# What do you expect



- ▣ native speaker
- ▣ “pedagogical” qualification
- ▣ experience



DEPARTMENT OF FOREIGN AFFAIRS AND TRADE  
BALANCE SHEET  
as at 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash	6A	49,088	28,713
Receivables	6B	498,365	377,026
<b>Total Financial Assets</b>		<b>547,453</b>	<b>405,739</b>
<b>Non-Financial Assets</b>			
Land and buildings	7A,C	1,706,653	1,517,193
Infrastructure, plant and equipment	7B,C	94,549	75,184
Assets held for sale	7D	14,485	1,409
Intangibles	7E	8,892	12,706
Inventories	7F	16,396	20,467
Other non-financial assets	7G	21,174	21,320
<b>Total Non-Financial Assets</b>		<b>1,862,149</b>	<b>1,648,279</b>
<b>Total Assets</b>		<b>2,409,602</b>	<b>2,054,018</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	8A	78,387	52,527
Other payables	8B	11,053	7,823
<b>Total Payables</b>		<b>89,440</b>	<b>60,350</b>
<b>Interest Bearing Liabilities</b>			
Leases	9A	2,214	2,918
<b>Total Interest Bearing Liabilities</b>		<b>2,214</b>	<b>2,918</b>
<b>Provisions</b>			
Employees	10A	110,403	105,611
Other provisions	10B	8,485	7,985
<b>Total Provisions</b>		<b>118,888</b>	<b>113,596</b>
<b>Total Liabilities</b>		<b>210,542</b>	<b>176,864</b>
<b>NET ASSETS</b>		<b>2,199,060</b>	<b>1,877,154</b>
<b>EQUITY</b>			
Contributed equity		1,491,462	1,385,519
Reserves		365,169	257,560
Retained surpluses / (accumulated deficit)		342,429	234,075
<b>TOTAL EQUITY</b>		<b>2,199,060</b>	<b>1,877,154</b>
<b>Current assets</b>		<b>594,066</b>	<b>438,730</b>
<b>Non-current assets</b>		<b>1,815,536</b>	<b>1,615,288</b>
<b>Current liabilities</b>		<b>194,584</b>	<b>161,011</b>
<b>Non-current liabilities</b>		<b>15,958</b>	<b>15,853</b>

The above statement should be read in conjunction with the accompanying notes.



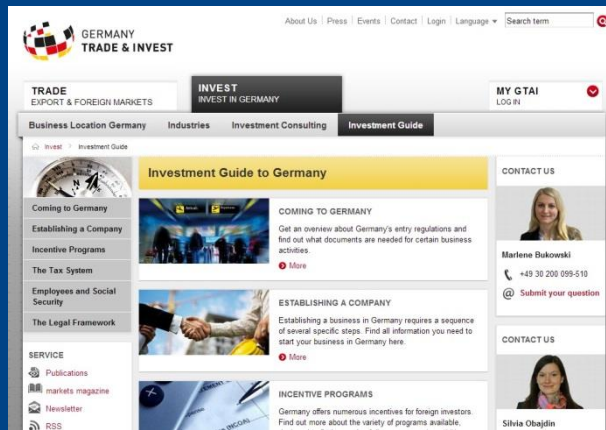




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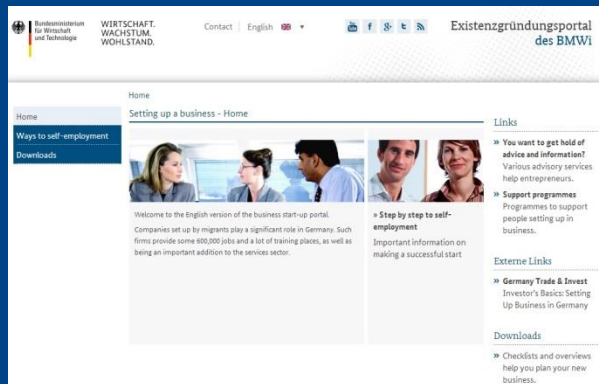


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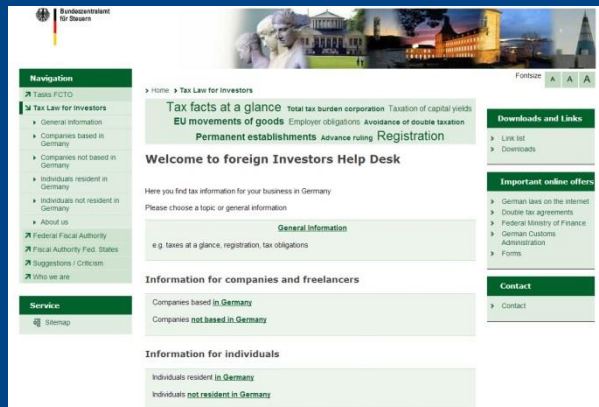
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## Establishing a Company

## Incentive Programs

## The Tax System

## Employees and Social Security

## The Legal Framework



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## Four Different Forms of Corporations

Legal Form	Minimum Number of Partners	Minimum Share Capital	Legal Liability
<b>GmbH</b> – Limited Liability Company	One partner	EUR 25,000	Liability limited to share capital
<b>‘Mini GmbH’</b> – Limited Liability Entrepreneurial Company	One partner	EUR 1.00	Liability limited to share capital
<b>AG</b> – Stock Corporation	One partner	EUR 50,000	Liability limited to stock capital
<b>KGaA</b> – Partnership Limited by Share	Two partners: general partner and limited shareholder	EUR 50,000	General partner: personal unlimited liability  Limited shareholder: limited share liability

## Four Different Forms of Partnerships

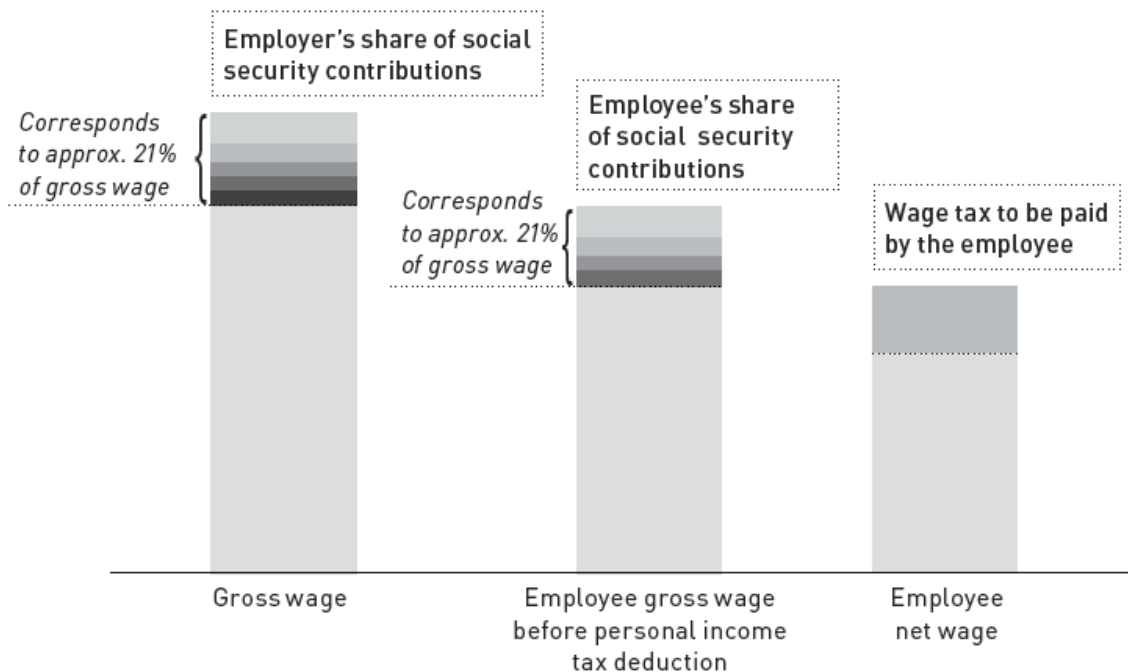
Legal Form	Minimum Number of Partners	Minimum Share Capital	Legal Liability
<b>GbR</b> – Civil Partnership	Two partners	Not required	Personal unlimited liability
<b>oHG</b> – General Commercial Partnership	Two partners	Not required	Personal unlimited liability
<b>KG</b> – Limited Partnership	Two partners: general partner and limited partner	Not required	General partner: personal unlimited liability  Limited partner: limited share liability
<b>GmbH &amp; Co. KG</b>	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



## **Chronological Steps Needed to Set Up a GmbH**

<b>Step 1</b>	<b>Drafting of articles of association</b>
<b>Step 2</b>	<b>Notarization of articles of association</b>
<b>Step 3</b>	<b>Payment of share capital</b>
<b>Step 4</b>	<b>Registration in the commercial register</b>
<b>Step 5</b>	<b>Trade office registration</b>

## Allocation of Social Security Contributions



### Components of social security insurance in Germany:

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

Social security contributions are more or less shared equally by employer and employee. They correspond to approximately 21% of the employee's gross wage. Only the costs for accident insurance are exclusively borne by the employer.

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## Downloads

Checklists and overviews help you plan your new business.

### Checklist no. 1

Need for advice

» **Interactive PDF version**

### Checklist no. 4

Capital requirements: personal expenditure

» **Interactive PDF version**

### Checklist no. 5

Capital requirements: financing the start-up and the initial operating phase

» **Interactive PDF version**

### Checklist no. 6

Profitability outlook

» **Interactive PDF version**

# The six most frequent tax errors made by new entrepreneurs

- |    |                              |    |                                      |    |                          |
|----|------------------------------|----|--------------------------------------|----|--------------------------|
| 1. | Wrong legal structure        | 2. | Excessively low advance tax payments | 3. | A lack of contracts      |
| 4. | Wrong timing of turnover tax | 5. | Errors in turnover tax               | 6. | Bookkeeping deficiencies |



## The six most frequent tax errors made by new entrepreneurs

### 1. Wrong legal structure

Many young companies start out as a GmbH.

Disadvantage: the company is liable to pay wage tax for the director's salary, although the young company may not yet be making a profit.

### 2. Excessively low advance tax payments

Following the establishment of the company, it usually takes two years before the first income tax assessment is produced by the tax office. If the advance tax payments have been too low, the back payments of income tax for two to three years can place the company in serious financial difficulties. It therefore makes sense to make a voluntary upward adjustment of the advance tax payments.

### 3. A lack of contracts

The whole family often works hard to support the new venture. If this is done without an employment contract and salary, the family is giving taxes away. This is because each family member, from the grandfather to the newborn baby, has a whole range of personal income tax allowances which are often left unused. Also, family members often lend money or provide space. It generally makes sense in terms of taxation to conclude loan or rental agreements in such cases.

### 4. Wrong timing of turnover tax

In the initial phase, many new entrepreneurs keep applying for an extension to the deadline for the prepayment of turnover tax. The reimbursement of prepaid turnover tax which is possible at the same time then only comes a month later.

### 5. Errors in turnover tax

The deduction of prepaid turnover tax is not accepted by the tax office due to a failure to keep proper documentation (e.g. value-added tax is not listed separately on invoices for purchased goods). This is equivalent to giving away cash.

### 6. Bookkeeping deficiencies

Bookkeeping deficiencies (false allocation to accounts, entry in accounts of erroneous invoices lacking value-added tax, time delays in bookkeeping, etc.) mean that in many cases too little turnover tax is paid, or the tax is paid too late. And many firms are unable to provide the tax office with meaningful documentation in the case of applications to reduce advance tax payments.

# Taxes: who pays when?

## 1. Turnover tax

### Who?

Every businessperson  
(exceptions: e.g. doctors,  
physiotherapists)

### When?

Usually on the 10th of the  
month following an ad-  
vance-payment period  
(month or quarter)

## 2. Income tax

### Who?

Businessperson (natural  
person)

### When?

Quarterly advance pay-  
ments; tax assessment after  
the end of the calendar  
year

## 3. Corporation tax

### Who?

GmbH, AG, Genossenschaft

### When?

Quarterly advance pay-  
ments; tax assessment after  
the end of the calendar  
year

## 4. Trade tax

### Who?

All commercial operators  
in industry, trade, crafts,  
services (exceptions: profes-  
sional services and agricul-  
ture)

### When?

Quarterly advance pay-  
ments; tax assessment after  
the end of the calendar  
year

## 5. Church tax

### Who?

Members of the Evangeli-  
cal or Roman Catholic  
Church who are in gainful  
activity.

### When?

Quarterly advance pay-  
ments; tax assessment after  
the end of the calendar  
year

## 6. Deduction of prior turnover tax

### Who?

Every businessperson liable  
to pay turnover tax (excep-  
tions: e.g. doctors, physio-  
therapists)

### When?

When the turnover tax is  
paid (see above)

## Capital requirements: personal expenditure

Fill in the figures:

How much money will you need to earn from your business to cover your personal spending?

Work out your annual costs	Euro
<b>Household</b>	
Rent or similar costs	
Food, household objects	
Clothing etc.	
Electricity/heating	
Water	
Waste disposal	
Telecommunications	
Leisure time	
Kindergartens	
Spending on financial and material assets (e.g. securities, savings schemes, real estate)	
Special expenses (Christmas, birthdays, holidays, repairs, subscriptions to clubs/associations)	
<b>Total</b>	
<b>Insurance policies</b>	
Life assurance/pension schemes	
Health insurance	
Accident insurance	
Liability insurance	
Car insurance	
Household insurance	
<b>Legal protection insurance</b>	
<b>Total</b>	
<b>Other</b>	
Reserve for income tax	
Maintenance obligations	
<b>Repayments/interest payments for personal loans</b>	
<b>Total (required personal income)</b>	
<b>- Other income (e.g. income of partner, rental income, Start-up grant)</b>	
<b>= Private expenditure (necessary salary)</b>	

\*Insert negative figure (using minus sign).

## Profitability outlook

(All amounts excluding VAT)	Euro 1st year	Euro 2nd year	Euro 3rd year
Expected turnover			
- Materials and goods inventory			*
<b>= Gross profit on sales I</b>			
+ Other corporate revenues (e.g. rents)			
- Staff costs including non-wage labour costs (incl. director's salary if GmbH)			
Director's remuneration (in case of one-person companies and non-incorporated companies)			*
<b>= Gross profit on sales II</b>			
Material overheads			
Rent, leasehold			
Gas, water, electricity			
Insurance policies			
Corporate taxes			
Contributions			
Vehicle costs			
Advertising			
Leasing of machinery, vehicles, etc.			
Travel costs			
Maintenance of machinery/tools			
Office requirements			
Telecommunications			
Advice (e.g. tax adviser)			
Other			
Interest payments			
Depreciation (loss in value of your investment)			
<b>= Annual surplus/operating profit</b>			

\* Insert negative figure (using minus sign).

## Capital requirements: financing the start-up and the initial operating phase

	Euro
<b>Launch costs</b>	
Advisory services	
Entry in commercial register	
Registration/permits	
Notary	
+ Other	
<b>Total</b>	
<b>Costs of initial operating phase</b> (expenditure up to first revenues from sales for certain period, e.g. 3 months)	
Staff costs, including your own director's salary if incorporated firm (all costs including non-wage labour costs)	
Advice	
Leasing of machinery, vehicles, etc.	
Rental/Leasehold	
Advertising	
Distribution	
Corporate taxes	
Insurance policies	
Reserve for initial phase, follow-up investment and unforeseen occurrences	
+ Other	
<b>Total</b>	
Director's remuneration (in case of one-person business and non-incorporated companies to cover personal living expenses)	
<b>Fixed assets</b>	
Patent, licence, franchise fees, etc.	
Real estate including running expenses	
Production facilities, machines, tools	
Operating and business equipment	
Vehicles	
<b>Total</b>	
<b>Current assets</b>	
Material store, goods store	
<b>Service on capital</b>	
Interest on new entrepreneur's loan/bank loans	
Repayment of principal	
<b>= Capital requirement</b>	



## Legal structures: the most important criteria for the selection

### Einzelunternehmen (sole proprietorship): full control, full liability

- good for making a start (e.g. for craftsmen, micro-enterprises, services)
- happens automatically when business is launched
- only one owner, no conflicts with partners
- no minimum capital
- full liability with private assets

### Gesellschaft bürgerlichen Rechts (GbR – civil law association): simple association of partners/professionals

- appropriate for any type of business partnership (micro-enterprises, professional services, special partnership)
- possibility for larger degree of freedom for the individual
- no formalities, but written contract useful
- no minimum capital
- partners liable with business assets and private assets

### Offene Handelsgesellschaft (OHG – general commercial partnership): high reputation, but liability risk

- for commercial operation with partners
- not for very small businesses
- no minimum capital
- partners liable with business assets and private assets
- high reputation due to willingness to assume personal liability

### Partnerschaftsgesellschaft (PartnG – partnership company): individual responsibility despite having partners

- only for professional services (Freie Berufe) if law governing the respective profession allows
- for companies co-operating with partners but wishing to retain individual responsibility
- company liable with company assets, partners liable with private assets in case of erroneous acts

### Kommanditgesellschaft (KG – limited commercial partnership): easier launch capital, greater independence for entrepreneur

- for entrepreneurs seeking additional launch capital but wishing to retain responsibility. Team: full partner(s) (one or several entrepreneurs) and limited partners
- full partner manages company alone
- limited partners are financially involved in company
- entrepreneur liable with entire private assets, limited partners only with own stake

### Gesellschaft mit beschränkter Haftung (GmbH – limited liability company)

- entrepreneurs wishing to limit their liability
- entrepreneurs for whom GmbH offers tax advantages in case of higher profits
- start-up formalities and accounting rather more cumbersome

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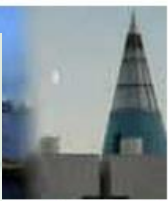
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# Key Data German Taxation 2012

## CORPORATION TAX

Tax rate: 15 %

Dividends and yields from the sale of holdings in German or foreign incorporated companies are only subject to 5 % of the tax at recipient business level.

## TRADE TAX

Tax rate: 7 % to 17.15 %  
(tax rate depends on the municipality)

Tax allowance for sole proprietorships and partnerships: EUR 24,500

## VALUE-ADDED TAX

General tax rate: 19 %  
Reduced tax rate: 7 %

## INCOME TAX

Examples for effective tax burden:

▶ Tax rates for Single person	
zvE to EUR 8,004:	tax-free
zvE = EUR 10,000:	3,5 %
zvE = EUR 50,000:	25,7 %
zvE = EUR 250,000:	38,7 %

▶ Tax rates for Spouses	
zvE to EUR 16,008:	tax-free
zvE = EUR 20,000:	3,2 %
zvE = EUR 100,000:	25,7 %
zvE = EUR 500,000:	38,7 %

(zvE = taxable income)

Income from capital assets, if they exceed the tax allowance of EUR 801 (for single person) or EUR 1,602 (for spouses), are subject to a uniform tax rate of 25 %

Family tax relief, per child:

- ▶ Family benefit = tax refund paid in advance (EUR 2,208 to EUR 2,580) or
- ▶ Tax allowance EUR 7,008
- ▶ Tax deduction for child care (max. 4000 €/child)

## SOLIDARITY SURCHARGE

5.5 % of the taxes from income  
(income tax, corporation tax, withholding tax, PAYE tax)

## NO WEALTH TAX

## INHERITANCE TAX / GIFT TAX

Assets are taxed according to the current market value

Example: Filing status I (Spouses, civil partners, children, grandchildren et al.)

### 1. Personal allowance

- ▶ EUR 500,000 – Spouses, civil partners
- ▶ EUR 400,000 – Children
- ▶ EUR 200,000 – Grandchildren

### 2. Graduated tax rate

- ▶ 7 % Minimum tax rate
- ▶ 30 % Maximum tax rate  
(taxable transfer more than EUR 26 million)

Heirs who inherit a business are granted generous tax concessions if they continue the inherited business (tax exemption up to 100 % possible)

# Solidarity surcharge

To finance the reunification of Germany a surcharge is levied from all taxpayers on their PAYE, income, withholding and corporation tax.

The assessment basis is the income tax or corporation tax.

The solidarity surcharge is currently 5.5 % of the relevant assessment basis.

Example:

Income tax 5000 €

Solidarity surcharge 275 € (5,5% von 5000 €)





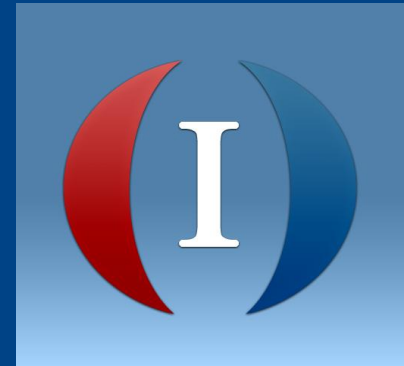
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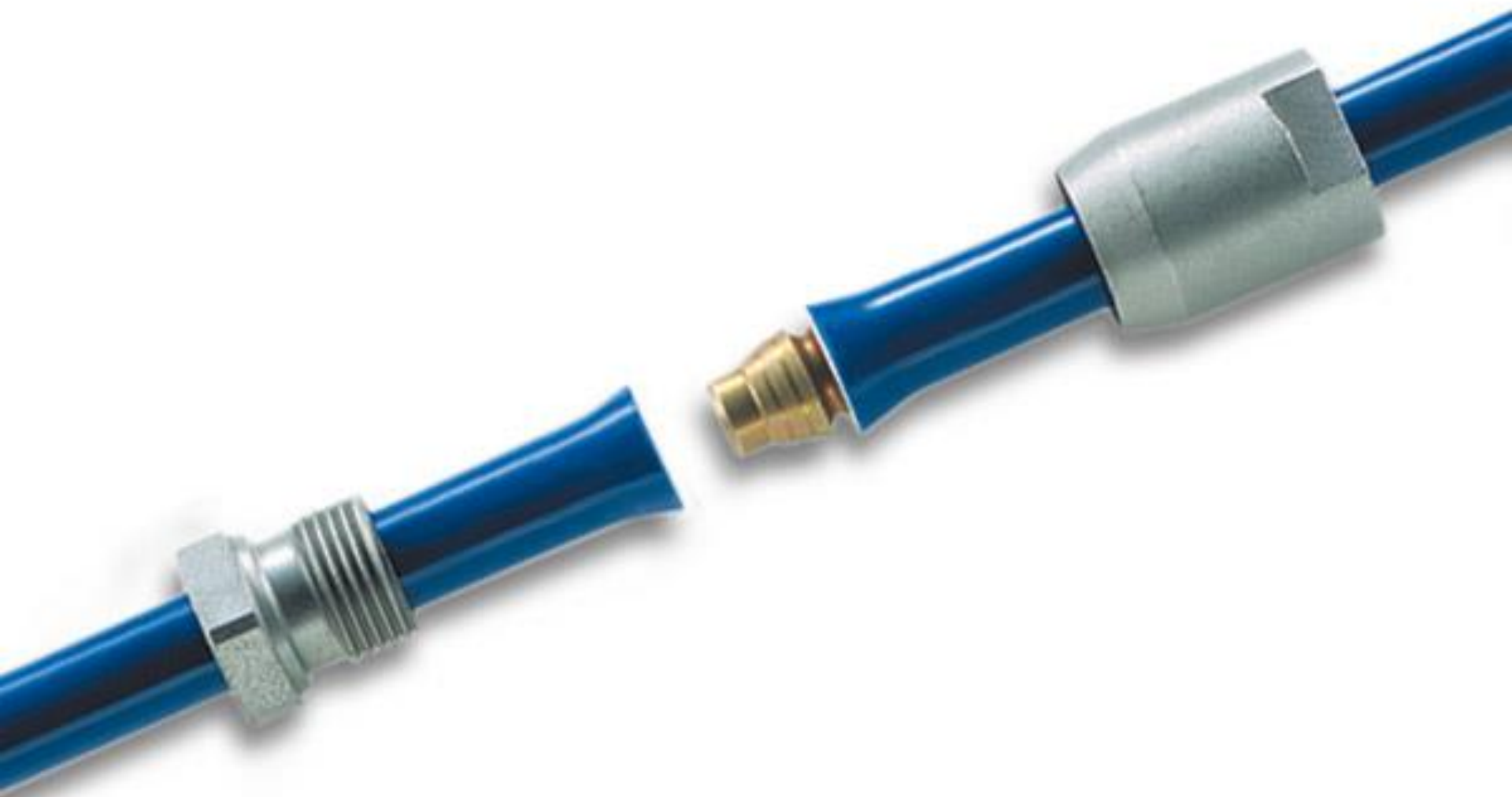
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