Investment Guide Cologne

Cologne – The best platform for your entry into the European market
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1. Overview of Cologne

As of its most recent expansion in July 2013, the European Union (EU) consists of 28 member states and over 500 million residents. Economically, the EU is the largest domestic market with free movement of goods, capital, services and people. 19 countries have adopted the euro as currency since 1 January 2002. All of this makes the EU an ideal investment and commercial location, and Germany is at its centre. With nearly 82 million residents, Germany is the EU’s most populous and economically strongest country. It is the world’s second-largest trading nation, and for many countries the most important trading partner in Europe.

Cologne is located in North Rhine-Westphalia (NRW), Germany’s largest state. Its 18 million residents generate 22 per cent of the German gross domestic product (GDP). 16 of Germany’s 50 most profitable companies are based in NRW. The state ranks 18th worldwide in export volume. NRW is also Germany’s strongest state in terms of imports. The state also boasts the highest share of foreign direct investments.

Cologne, the city with the cathedral, is Germany’s fourth-largest city after Berlin, Hamburg and Munich, and is the largest city in NRW. More than one million people live on 405 square kilometres. The Cologne economic area is the third-largest industrial region nationwide, and with a total regional population of three million it is a highly promising sales market by European standards.

The defining characteristics of Cologne’s economy are a dynamic range of industries and a balanced business size structure. Cologne is one of the most important locations in Europe for the chemical industry. Automotive manufacturing also plays an important role. With Ford – its production facilities, research sites, central replacement parts warehouse for all of Europe, the engine works European headquarters, and the supplier park – and German/European headquarters of Dacia, DAF, Mazda, Peugeot Citroën, Renault, Nissan, Toyota and Volvo, the Cologne region is the uncontested epicentre of international automotive manufacturers in Germany. Other important industries include machine production, nutrition, metal production and processing, and electrical technology.

Cologne’s service industry employs around 324,000 people, equal to 81 per cent of the total number of employees. Besides Munich, the city is the centre of Germany’s insurance industry. Around 400 associations are located in Cologne. This sector is supplemented by a number of company-related and knowledge-based services like tax and corporate consultation, relocation services and office centres, and special contacts such as the Deutsch-Chinesische Wirtschaftsvereinigung e. V.

Media city no. 1
Cologne is the capital of German radio and television. According to the cultural economic report, the television and radio industries currently employ around 15,000 people in the Cologne region. The WDR, the largest public service radio and television network in continental Europe, is also based in Cologne, along with Europe’s largest and most successful private television broadcaster RTL.

Cologne offers good conditions as an investment location:

Central location, outstanding infrastructure
Around 17 million people, and thus potential customers, live within a 100 km radius of Cologne, more than in any other metro region in continental Europe. Cologne is defying the demographic shift. Current prognoses predict that Cologne’s population will increase by 19.3% by 2040 – another indication of the city’s attractiveness and economic basis for future investments.

Cologne is located in the heart of Europe. The city is surrounded by a motorway ring connected to ten incoming motorways from all directions. At the same time, Cologne is one of Europe’s most important railway hubs. There are international high-speed rail connections to Amsterdam, Brussels, London and Paris. The French high-speed train Thalys has reduced the commute to Paris down to three hours. ICE trains run on the Cologne-Berlin, Cologne-Hamburg and Cologne-Munich lines every hour. Three international airports can be reached from the city centre in less than an hour: Cologne Bonn Airport (12 minutes) as well as Düsseldorf (35 minutes) and Frankfurt am Main (47 minutes).
Cologne Bonn Airport’s two terminals are set up for 14 million passengers. Thanks to the booming dynamic in low-cost travel, more than 10 million passengers took off and landed in 2015. Over 149 domestic and international destinations are served (among them approx. 113 for passengers and approx. 59 for cargo, approx. 23 destinations are flown to for both passengers and cargo). When it comes to cargo transportation, Cologne Bonn ranks sixth among European cargo airports and third in Germany after Frankfurt and Leipzig.

Cologne is located on the busiest river in the world, the Rhine, and is the second-largest inland port in Germany after Duisburg. The Rhine directly connects Cologne with Rotterdam, Europe’s largest seaport.

Software and telecommunications industry
Cologne is a very important location in the telecommunications and IT industries: companies such as Adobe, Electronic Arts, IBM, Microsoft and Mindtree have offices in Cologne. It is no surprise that Cologne was named Germany’s Digital Capital by business consulting firm PWC in 2015. The regional network operator NetCologne has positioned itself as the most successful regional carrier in the EU. NetCologne’s fibre-optic network is the most modern and efficient regional telecommunications grid in all of Europe.

World-class commercial centre
Because of its easily accessible location on the Rhine, Cologne has been an important commercial hub since Roman times. The Koelnmesse is the trademark of Cologne’s traditional commercial functions. Over 40 conventions and exhibitions per year, 284,000 square metres of hall space, more than 44,000 presenters from 127 countries, and more than two million visitors from 218 countries make the Koelnmesse one of the largest convention sites in the world. The Koelnmesse is the leading convention in more than 25 industries, including global conventions like Anuga, Photokina and the Eisenwarenmesse hardware fair.

Two of the most important international trade groups also call Cologne home: the Hudson’s Bay Company, which owns the Kaufhof Warenhaus AG, and REWE-Zentral AG. Saturn, the top entertainment electronics retailer, has the largest selection of CDs in the world. One cannot forget the distribution centres and German headquarters of international corporations like Barilla, Bull, Exxon, JT International, Pernod Ricard, Scor, Toys ‘R’ Us and many more.

University city and research centre
Cologne boasts 17 universities and colleges. Around 49,800 students currently attend the University of Cologne, which has been a German University of Excellence since 2012. The university is one of the largest and oldest in Germany. The Technical University of Cologne (formerly known as Cologne University of Applied Sciences) is the largest university of applied sciences in Germany, with 24,000 students. Its primary focuses are engineering, media, telecommunications, software development, medicine and pharmacology, solar energy and environmental studies. The German Sport University Cologne is the only university of its kind in Germany. The research centres in Cologne focus on air and space travel technology, robotics and data processing, biological and genetic technology, aging biology, vacuum and laser technology, and new substances, among other fields. The German Aerospace Centre with the ESA astronaut centre, the European Aviation Safety Agency, four Max Planck Institutes, the Jülich Research Centre and the Technical Inspection Association (TÜV Rheinland) are among the important research centres.

Well-educated professionals
German employees’ qualifications and productivity set a high standard. The technical level and degree of specialisation are higher than in the USA and United Kingdom. The reasons for this can be found in the dual education system and various continued education opportunities.

Culture and art
As a centre for art and culture, Cologne’s history dates back 2,000 years and is mentioned in the same breath as New York, London and Paris. Cologne has 36 museums, over 110 art galleries, a number of antique dealers and auction houses, and one of the leading art conventions with ArtCologne. The Cologne Cathedral, the most frequently visited structural monument in Germany, is a magnet for visitors. It was declared a World Cultural Heritage Site by UNESCO in 1996, and at 157.38 metres it is the second-tallest church building in Europe. Philharmonic, operas, theatres, cabarets and cinemas offer a range of experiences that make Cologne an international cultural metropolis. The Lanxess Arena is Europe’s largest and most modern multi-purpose centre.
Internationality
Cologne is an international city. Around 190,000 people from more than 180 countries live, study and work in Cologne. More than 3,000 foreign companies are already profiting from the optimal local conditions and help the cathedral city’s growth and employment. Cologne’s 24 international city partnerships have resulted in cooperation as well as countless economic and friendly contacts and projects.

Indian companies in Cologne
India is one of the most important countries when it comes to Cologne’s economic advancement. The India Initiative started by the senior mayor in 2006 has since led to the settlement of renowned Indian IT companies in the city. MindTree Limited for instance is among those who manage their German and European activities from Cologne. The India desk of the Office for Economic Development assists Indian investors with settlement-related projects.

And when can we welcome you to Cologne?
2. Visa, Residence and Work Permit

Visa

As a foreign national you will need a valid passport and a valid visa to travel to Germany. There are two different categories of visa:

- Schengen visa for brief stays up to a maximum of 90 days within one half-year and
- National visa for long-term stays longer than 90 days within one half-year.

A visa from a Schengen state allows you to travel to all countries who are members of the Schengen Agreement. The duration of the stay is limited to 90 days per half-year. 26 states have ratified the Schengen Agreement thus far: Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and Switzerland. The visa should always be applied for at the foreign consulate of the primary destination country.

With a Schengen visa you can begin preparing to establish your company or approach your business contacts and pursue business activities, but you may not engage in commercial activity. This means that you may neither work as an employee nor as an executive of an existing company in Germany. The German embassies and general consulates abroad are known for their swift and business-friendly issuance of visas.

You can apply for your Schengen visa for a trip to Germany in the visa office of the German embassy or German consulate, or at their service partner VFS Global.

Residence permit

Dependent employment

If you wish to come to Germany as an employee, you will need a residence permit. This application must be submitted by the employee to the German embassy or the responsible German general consulate with the employer’s assurance and the employment contract.

Independent employment

If you have a representative office, a branch office or a GmbH in Germany and wish to work in Germany for longer than three months as the chief representative, branch office representative, CEO of the GmbH, commissioner or executive employee with full power of attorney, you require a residence permit before travelling to Germany.

The application for the national visa can be submitted to the German embassy or the responsible German general consulate or to their service partner VFS Global. You can find current information on the required application paperwork on the webpage of the respective German embassy or German general consulate.

The foreign consulates and embassies work closely with the German authorities on national visa applications, such as the local foreigners’ registration office. Consent from the foreigners’ registration office is generally required to issue a visa. If you intend to travel to Germany to take up independent employment, the foreigners’ registration office generally asks the Cologne Chamber of Industry and Commerce and the Office for Economic Development of the City of Cologne for their opinion.

The following documents are required to make a decision on the application:

a) Business plan

A conclusive, written concept of the plan that describes the business idea in detail is absolutely crucial. This should include the following information if available:
- The content of the planned business activities
- Financing concept
- The applicant’s experience
- The predicted number of employees and their roles
- The precise location of the business
- Information on what makes the idea unique/sets it apart
- Presentation of the competitive situation
- Existing client contacts in Germany/Europe
- If an existing company is to be acquired: balances and profit-loss account of the company over the last three business years
− For a new company: predicted sales and profits
− Verification of capital resources via submission of a bank attestation and/or
− Reliable verification by relatives/friends
− Market assessment / future prospects

b) Curriculum vitae
that thoroughly discloses academic and professional experience with
proof of qualifications, such as:
− School / college diploma/degree
− Proof of education
− Professional certificates, translated into German or English

c) Language skills (proof)
− German
− English

d) Articles of association, draft if possible

e) Certificate of registration (if available)

f) Business registration (if available)

g) Executive contract (or draft) or other proof that income is assured,

h) Other proof of the project that is suitable to verify the seriousness and plausibility of the idea and which must be submitted (depending on the type of proof):

Veriﬁcation of the parent company
− Business licence (translated and certified)
− Certiﬁcation from a foreign chamber of commerce or similar institutions (translated and certiﬁed)

Also, when joining an existing company or when acquiring a company
− Certiﬁcate of registration
− Purchase contract and inventory assessment from purchase date
− Balances or annual reports over the last three business years
− Current business assessments from the tax consultant

Establishing a representation ofﬁce / dependent branch
− A “letter of appointment” (power of attorney of the parent company, translated and certiﬁed), that authorises the applicant to open and manage an ofﬁce.

All documents may be submitted both in German as well as English.

The German consulates, the German embassy and the bilateral economic ofﬁces in the respective countries can provide additional information on the application process, much like the Cologne Chamber of Industry and Commerce and the Ofﬁce for Economic Development of the City of Cologne.

Work permit

Entering into an employment relationship without a permit is prohibited. The foreigners’ registration ofﬁce of the city in which you (will) reside is responsible for issuing the work permit.
3. Pre-Establishment Preparations

You should first compile the pertinent market information for your product, sales channels, special conditions, etc. in order to get your foot in the door in Germany. You can consult foreign companies currently active in the German market or who cooperate with German companies. Offices, authorities, organisations and associations actively involved with the promotion of the external sector (e.g. associations and organisations like Germany Trade and Invest, the Indo-German Chamber of Commerce or the German embassy in New Delhi) will also be happy to provide confidential assistance. You can also get in touch with German companies in your home country. Useful contact info can be obtained from the Chambers of Foreign Trade, embassies and consulates (for addresses see attachment). Or you can use the internet or special conventions and symposiums abroad to learn about German companies. A business trip to Germany is another option. The Cologne Chamber of Industry and Commerce as well as the Office for Economic Development are always available to assist you.
If you want to work commercially in Cologne, you can do this through a representative office, a branch office, or a company subject to German law, among others. Germany distinguishes between partnerships and corporations: in a partnership, at least one natural person has indefinitely liable This natural person outwardly represents the company and manages its transactions. The assets belong to the natural person who is personally liable. A corporation is an independent entity. Its assets are legally independent and separate from the personal assets of the shareholder. The liability is limited. The natural persons who outwardly represent the company or manage its transactions are relieved of liability. Because of the relatively low capital expenditure of founding a GmbH as well as the relatively simple formalities before and after establishment, many foreign companies opt for this type of enterprise.

Representative office or dependent branch office
If your company has no business connections in Germany, founding a dependent representative office (also known as a connection office) is an ideal and cost-effective solution. The establishment formalities are very simple and fast. The representative office must essentially only be registered with the Cologne trade office. However, the representative office may not sign any contracts. A legally valid contract may only be signed by the foreign parent company. The representative office may not issue invoices and may not request payments for the parent company. It may only exercise preparatory or supplementary activities, such as making/maintaining contacts and gathering information. The foreign parent company may deploy a chief representative to lead the connection office or appoint an individual living in Germany for this task. The representative office bears the name of the parent company. Generally the following documents must be submitted to the trade office to establish a representative office:
- power of attorney of the parent company signed by the director / CEO
- a legible copy of the passport of the director / CEO incl. the page with said party’s written signature
- Certificate of registration of the foreign company
- If available, proof of the representative office’s address (rental contract)
- These documents must be translated into German by a state-certified translator.

Furthermore,
- the full name of the authorised representative and
- the home address of the director / CEO of the parent company must be disclosed to the person submitting the application.

Branch office
You can also establish a branch office. The branch office is a branch physically separate from the parent company, while still subordinate to the parent company and only independent in terms of finances and organisation. The foreign parent company and its branch office in Germany form one cohesive business of the same entity. In other words, the German branch office is not an independent legal person. It is thus subject to the laws of the parent company. A branch office in Germany must be registered with the trade register of the district court responsible for the area where the business is located, and bears the name of the parent company. Registration with the trade office is required. The area of business may not exceed that of the parent company. The branch office may sign contracts in Germany and conduct its business independently. Yet because the branch office is an entity in its own right, liabilities of the branch office are those of the foreign company. A branch office may not be party to a legal dispute, but in accordance with German law the foreign company may be sued in Germany in the name of the branch office. Freedom of trade is prevalent in Germany, and special conditions apply only in certain areas. In these cases, a special permit from the trade office is required before registration in the trade register. The foreign parent company can deploy a legal representative or authorise somebody to commence establishment of the branch office. A notary will register the entry into the trade register as well as write up the articles of association for the German branch office. The following must be submitted to the notary:
- a translated and notarised certificate of registration of the parent company
- power of attorney of the parent company for the person assigned with the registration
− proof of the branch office’s place of business (rental contract)
− the parent company must appoint a CEO, chief representative or representative for the branch office

Important: All future changes to the parent company must be reported to the German authorities with whom the branch office is registered.

**GmbH**

When a foreign company in Germany establishes a German-law subsidiary, this establishment is subject to the same principles as would apply if a German founded this company. This subsidiary is equivalent to a subsidiary founded by Germans. There is no special law in Germany pertaining to the establishment of joint ventures.

Foreign companies who establish a subsidiary in Germany generally opt for the GmbH. A GmbH with its own identity offers a range of benefits: It can conduct business, invest, and acquire shares independently. If your company’s transactions stem from a representative office or a branch office, or if you wish to work in the field of assembly or production, you should consider establishing a GmbH. The foreign investor can come to Germany themselves or appoint somebody to establish it in Germany. The GmbH may be established by one of multiple people as well as a corporation as per the GmbH Act. There are two types of GmbH to choose from. The share capital of the “traditional” GmbH is at least 25,000 euros. The minimum amount of a capital investment is 1 euro. A shareholder’s share is based on the amount of their investment. If little share capital is available in the initial phase, it is recommended that the GmbH be founded in the form of a limited-liability entrepreneurial company. This does not require raising any certain minimum share capital.

In order to protect potential business partners, however, when conducting business the company may not bear the label “GmbH”, but must instead designate its reduced share capital with the addition of “Unternehmer-gesellschaft (haftungsbeschränkt)” [“Entrepreneurial company (limited liability)“]. If the entrepreneurial company has saved up 25,000 euros in share capital, it may appear as “GmbH” after making the respective change in the trade register. The form of GmbH has no effect on the liability of the company and its shareholders. The shareholders are liable with their investment and the GmbH with its company assets. Both the “traditional” GmbH as well as the limited-liability entrepreneurial company only form upon their entry into the trade register of the district court. The shareholders are personally and indefinitely liable for any entrepreneurial activity performed by the GmbH before its entry into the trade register. Articles of association signed by all shareholders are required to establish a GmbH. This contract is drafted by a notary and contains the following information: name and address of the company, objective of business, amount of share capital, the capital investment made by every shareholder into the share capital, name of the chief executive or commissioner, and the extent of their representative authority.

The applicant or CEO must provide the following documents for registration into the trade register:
− Articles of association of the GmbH
− List of names of shareholders (first and last name, date of birth, place of residence, amount of invested capital)
− Shareholder decree of the appointment of management
− Share capital receipt
− If the GmbH is founded by a foreign company Certificate of registration of the parent company as well as a translated, certified copy of the shareholder decree from the foreign company concerning the founding of the GmbH
− If the company is founded by an authorised representative, a translated and notarised power of attorney

Note: In the event of any changes concerning the shareholders or their shares, an edited and signed list must be submitted by the notary to the registry court.

After entry into the trade register and before commencement of business activities, the GmbH must be reported to the local Cologne trade office. Permits must be obtained for areas with restricted access.
5. Taxation Regulations

The double taxation agreement between the Federal Republic of Germany and the Republic of India from 19 June 1995 regulates taxation in the two contract states for international activities. The agreement aims to avoid double taxation. In the Federal Republic of Germany this primarily concerns income tax, corporate tax, capital tax and trade tax. In the Republic of India the agreement mainly covers income tax, including accrued additional taxes, and capital tax.

The extent to which an Indian investor or entrepreneur must pay taxes as per German tax law largely depends on three factors:

1. Is there an operating facility in Germany?
2. Does this operating facility generate profits?
3. Does the Indian national spend more than 183 days per year in Germany?

For example, if there is an operating facility in Germany and it generates profits, the company must pay taxes in accordance with German tax laws. Indian representatives, representatives of branch offices, or chief executives of a GmbH who spend more than 183 days per year in Germany or who earn the profits from the German operating facility are obligated to pay income tax in Germany.

Because German tax law is rather complicated, many German civilians and companies use a tax consultant. It is thus also recommended that Indian companies contact a tax consultant. This consultant will draft the company’s opening balance, establish the bookkeeping, and request a tax number and a VAT identification number from the respective tax office.

The most important German taxes and tax rates are briefly described below.

Income tax
The income of natural persons and the yields of partnerships are subject to income tax. Taxable income is defined as the positive total of income from various sources of income after the deduction of loss and other expenses. The Income Tax Act defines seven types of income:

- Income from agriculture and forestry
- Income from commercial operations
- Income from independent employment
- Income from dependent employment
- Income from capital assets
- Income from leasing and renting
- Other income, e.g. pensions and speculative profits

Wage tax
Income tax from dependent employment is also known as wage tax. In accordance with the electronic wage tax card that determines tax bracket, child allowance, etc., the employer withholds the wage tax. The solidarity surcharge for Aufbau Ost (5.5 per cent of the wage tax) is also withheld.

<table>
<thead>
<tr>
<th>Year</th>
<th>Allowance</th>
<th>Low rate</th>
<th>High rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>9,000 €</td>
<td>14 %</td>
<td>42 %</td>
</tr>
</tbody>
</table>

Corporate tax
Corporate tax is the income tax of legal persons. In Germany capital companies like GmbH, AG and KGaA are subject to corporate tax. This is calculated by the taxable income determined by the operating assets comparison at the end of the year with that from the previous year. The corporate tax rate currently amounts to 15 per cent, plus 5.5 per cent solidarity surcharge.

Trade tax
Every commercial business in Germany is subject to trade tax. Trade tax is a communal tax. It is calculated based on commercial profits. The starting rate is based on the profits calculated by income and corporate tax determinations, whereby modifications may be made. Exemptions and reductions are possible in some instances.
Value-added tax
Companies must pay value-added tax for any delivery or other service. VAT is an excise duty. The entrepreneur charges VAT to the end consumer and forwards it to the tax office. This means that the end consumer bears the tax burden. The VAT debt accrues at the time at which the service is rendered. VAT currently amounts to 19 per cent of the net invoice amount. A discounted tax rate of 7 per cent applies to certain goods and services, such as important foodstuffs, agricultural products, books, newspapers and publications.
6. Labour law regulations

In Germany the employer and employee must sign an employment contract at the start of employment. This contract is not subject to any form requirements. The employer and employee may freely determine the terms of employment in accordance with the legal requirements and labour agreements. Employment contracts may be set for a fixed period under certain conditions, and automatically end after this period. They may also be indefinite, in which case cancellation periods must be adhered to. Should the employer employ more than ten employees, the employer must also observe the stipulations of the Employment Protection Act in the event of termination. The most important regulations for the protection of the employee include the employee’s legal claim to at least 20 days of leave per year (for a 5-day workweek). The labour agreements and individual employment contracts usually allow for longer leave averaging 29 days. Adherence to accident prevention regulations is monitored by the trade office and the public order office of the city of Cologne.
7. Social Law Regulations

The legal pension, health, nursing care, unemployment and accident insurance

The employer takes over 100% of the contributions to the legal accident insurance, whereas the other contributions are split fifty-fifty by the employer and the employee (see table: employer share / employee share).

Social payments

<table>
<thead>
<tr>
<th>Insurance (info for western Germany)</th>
<th>Total costs in € (maximum)</th>
<th>Employer share in € (maximum)</th>
<th>Employee share in € (maximum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension insurance</td>
<td>1,209.00</td>
<td>604.50</td>
<td>604.50</td>
</tr>
<tr>
<td>Unemployment insurance</td>
<td>195.00</td>
<td>97.50</td>
<td>97.50</td>
</tr>
<tr>
<td>Health insurance</td>
<td>646.06</td>
<td>323.03</td>
<td>323.03</td>
</tr>
<tr>
<td>Nursing care insurance for contributors with a child</td>
<td>112.84</td>
<td>56.42</td>
<td>56.42</td>
</tr>
<tr>
<td>Nursing care insurance for contributors without children</td>
<td>123.90</td>
<td>56.42</td>
<td>67.48</td>
</tr>
<tr>
<td>Total Contributors w/o child</td>
<td>2,173.96</td>
<td>1,081.45</td>
<td>1,092.51</td>
</tr>
<tr>
<td>Contributors w/ child</td>
<td>2,162.90</td>
<td>1,081.45</td>
<td>1,081.45</td>
</tr>
</tbody>
</table>

Status: April 2018, possible rounding differences

German-Indian Agreement on Social Security

Secondment India – Germany

The agreement between the Federal Republic of Germany and the Republic of India on Social Security, which was signed as a bilateral agreement on 8 October 2008, has now been ratified and is in force as part of German national law from 1 October 2009.

Scope of application:
The Agreement on Social Insurance (the “Agreement”) applies to Statutory Pension Insurance as a branch of Social Security. It provides that an employee who is employed in Germany or India will remain covered by the social security system of his respective Contracting State (the “Home State”), even if he is sent by his employer to work in the territory of the other Contracting State (the “Foreign State”). During the first 48 months the legislation of the employee’s Home State shall continue to apply. The 48 month period starts from the time when the employee takes up employment in the Foreign State.

Duration of detachment
Secondments are intended to last up to 48 months. An extension of this period is possible, as long as the initial secondment does not exceed 48 months by more than 12 months. If an extension is required, it is necessary for the employee and his employer to make a joint request for extension in order to exempt the employee from the legal obligation of Statutory Pension Insurance of the Foreign State.

Practice notice
The purpose of the Agreement is to add legal certainty to the constantly growing business connections between India and Germany. The Agreement’s scope is limited to Statutory Pension Insurance. With regard to other branches of social insurance (health insurance, unemployment insurance and nursing insurance) allocation of employees to a social insurance system will take place according to the rules in §§ 4, 5 of the Social Security Code IV (transmission/irradiation) and the corresponding national Indian regulations.
8. The Transfer of Capital, Machinery and Goods

Business account
In order to be able to ensure the smooth and swift flow of daily business transactions in Germany, a German business account is recommended.

Most international banks are directly or indirectly (through partners) represented in Germany. Accounts can also be managed in foreign currencies.

The documents required for opening a business account depend on the company’s legal form. In any case, the shareholders’ personnel documents and a certificate of registration as well as the articles of association are needed.

Capital
The transfer of capital to and from Germany is essentially not subject to any restrictions.

For amounts higher than 12,500 EUR or goods of similar value, there is an obligation to notify the Bundesbank, although this is merely for statistical purposes. The Bundesbank is strictly obligated to confidentiality concerning the data provided to it. These data are neither published nor forwarded to other parties.

Only companies based in Germany as well as civilians with a permanent residence in Germany are obligated to report these. Capital transfers from foreign-based companies to an account in Germany are not subject to report. This also applies in the event that the foreign company is the account holder.

For example, if an investor living abroad receives 12,500 EUR in their German account or transfers 12,500 EUR from their German account, they are not obliged to report this capital transfer to the Bundesbank.

Payments for the import or export of goods also need not be reported, nor the management of loans (if the original duration thereof does not exceed twelve months).

Claims or liabilities to foreign companies (such as banks) or civilians must be reported if they exceed the amount of 5 million EUR (or the corresponding value in a foreign currency).

Report forms are available from the German Bundesbank. The bank also provides an online form centre where the most important forms are available for download.

Machinery and goods
Machinery and goods can be moved throughout the European Union customs-free.

Import fees, namely customs, import VAT and in some cases special excise taxes, accrue for imports from other states outside of Germany. The extent of the customs fee can be calculated online with the TARIC (Integrated Tariff of the European Communities) system.

If a company completely relocates to Germany, pending certain requirements there are no import fees whatsoever for the import of all required investment goods.

When moving residence to Germany the import of household items is also exempt from import fees. However, such an exemption must be requested in writing.
9. Important Contacts and Info Sources

Industrie- und Handelskammer zu Köln (IHK)
With 150,000 member companies, the IHK Köln is one of the largest IHKs (Chambers of Industry and Commerce) in Germany. It represents the full range of interests of the industrial, commercial and service companies in its district and provides them with services. If you want to establish a company in Cologne, you will automatically become a member of the IHK Köln by German law and thus benefit from its services.

Address:
IHK Köln
Unter Sachsenhausen 10–26
50667 Cologne
Tel.: +49 221 1640-0
Fax: +49 221 1640-1290
service@koeln.ihk.de
www.cci-cologne.de

Amt für Wirtschaftsförderung der Stadt Köln
The Amt für Wirtschaftsförderung (Office for Economic Development) is the central point in the city of Cologne for all companies and entrepreneurs. Companies can find personal contacts and administrative guides here. This applies to companies who want to set up a new office in Cologne as well as firms who are already active there. The office provides information on local conditions, advises on planning law and construction opportunities, guides through the necessary permits, and works with companies to devise tailored solutions to problems. It also helps in finding a location in Cologne and opportunities for development.

India is a key focus in the office’s activities abroad. The India Initiative was launched in late 2006 with the goal of expanding and strengthening Cologne as the bridgehead for the Indian economy. The India desk is available as a central contact, as a “one-stop agency” as it were, for all of your questions about settling down with your company here. Here you will receive service customised to your needs, including the following components among others:

- Assistance with obtaining official permits (e.g. building permit, work and residence permit)
- Location consultation
- Real estate mediation
- Assistance with recruiting employees and
- Assistance with integration

The city of Cologne offers solely comprehensive, fast and flexible service. Approval processes for work and residence permits take no longer than four weeks upon submission of all paperwork in Cologne.

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wirtschaftsfoerderung@stadt-koeln.de
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Other contacts

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www.ag-koeln.nrw.de

Bundeszentralamt für Steuern
(Federal Central Office for Taxes)
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http://ec.europa.eu/taxation_customs/index_en.htm

Federal Office of Economics and Export Control (BAFA)
Frankfurter Strasse 29–35
65760 Eschborn
Tel.: +49 6196 908-0
Fax: +49 6196 908-1800
www.bafa.de/bafa/en/index.html

Federation of Indian Chambers of Commerce and Industry (FICCI)
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Interesting links online:

Association of the German Trade Fair Industry
www.auma-messen.de/_pages/start_e.aspx

Europa – Gateway to the European Union
http://europa.eu/index_en.htm

European Commission
Enterprise Europe Network & Market Access Database
http://een.ec.europa.eu
http://ec.europa.eu/index_en.htm

Facts About Germany
www.tatsachen-ueber-deutschland.de/en/

iXPOS – The German Business Portal
Export Community
www.ixpos.de/IXPOS/Navigation/EN/community.html

Portal 21 information on services in Europe
www.portal21.de
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