Germany

Ministry of Finance announces proposed measures to combat tax fraud through letterbox companies and tax havens

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Report from Andreas Perdelwitz, IBFD Principal Research Associate

On 3 June 2016, the Ministry of Finance announced that it had reached an agreement with the Ministers of Finance of the Federal States regarding measures to combat tax fraud through letterbox companies and tax havens. The agreement contains amendments to the General Tax Code (Abgabenordnung) providing for increased investigative powers of tax authorities and increased information obligations for taxpayers. Among other things, the amendments provide for:

– expanding taxpayer notification obligations to cover any business relationships with foreign companies, including dominant influence over a foreign company;
– increasing fines for violating notification obligations from the current maximum of EUR 5,000 to a maximum of EUR 25,000;
– requiring banks to notify tax authorities of facilitated investments in or economic relationships with letterbox companies; and
– expanding the investigative powers of tax authorities through the repeal of the tax related banking secrecy provision of section 30a of the General Tax Code and by increasing access to bank account information to determine the existence of relationships with letterbox companies.

The planned amendments are a follow-up to the previously published ten-point action plan to effectively combat tax cheating, devious tax avoidance and money laundering (see Germany-1542, News 12 April 2016).

See also

Germany-1542, News 12 April 2016
Germany - Corporate Taxation - Country Analyses
sections 1.11., 1.11.5.
Germany - Individual Taxation - Country Analyses
sections 1.11., 1.11.5.