

German Withholding Tax (Quellensteuereinbehalt bei Zahlungen für Lizenzen an ausländische Verlage § 50a EstG)

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Natural and legal persons without (residential) base in Germany and with certain income are subject to the limited tax liability in Germany. This includes revenues and royalties from the provision of rights and licenses. The distribution of eBook and audiobook-downloads is defined by law as a license business. **Excluded here from is the distribution of digital content based on Agency agreements (no withholding tax is charged and all the below is not applicable).**

Therefore, license fees that Libri, as the wholesaler, pays to foreign publishers are subject to the German withholding tax. While you as the publisher are the actual tax debtor, the regulation sees the German based licensee in charge of taking care of the tax deduction and payment to the German Federal Central Tax Office. As the licensee, Libri must deduct a withholding tax of 15% + 5.5% of this 15% as solidarity surcharge (so in total 15,825%) from the royalties due to the publisher and pay this to the State of Germany.

Exception I:

If there is an agreement for the avoidance of double taxation (DTA) in place between Germany and the home country of the publisher, in which a lower tax rate than 15,825% has been set, then Libri may deduct the lower rate following the DTA.

- For the UK, there is a DTA existing with a rate of 0% withholding tax on licenses.
- For the US, there is a DTA existing with a rate of 0% withholding tax on licenses.

The publisher himself must apply for and receive an exemption certificate from the German Federal Central Tax Office to avoid double taxation.

Therefore, we ask all our international publishers to apply for the Certificate of Tax Exemption to prevent Libri from deducting withholding tax from publisher's eBook license fee payments. Libri will receive a copy of the Exemption Certificate directly from the German Federal Central Tax Office once the publisher has applied for it and is granted the exemption.

Application forms:

[BZSt - Withholding Tax Relief](#)

In cases where Libri does not receive a Tax Exemption Certificate and license fee payments from Libri to publisher reach a certain amount, Libri is forced by tax law to install the payment for the publisher due to the German Federal Central Tax Office. Libri then needs to deduct the tax amount from payment instalments to the publisher or their distributor (if payments are paid to the distributor instead of the publisher). Libri will then issue and provide an according tax certificate to the publisher - which allows the publisher to apply for a refund at the German Federal Central Tax Office.

If the DTA includes a lower tax rate (e.g., 0%), this tax certificate allows you to apply for a refund of the withholding tax overpayment at the German Federal Central Tax Office (application max. 4 years after deduction of taxes).

Please be aware: There is a new limit from January 2022 regarding deduction of withholding tax about:

Exception II:

No withholding tax needs to be deducted under §50a Income Tax Act on royalty payments to publishers whenever the license revenue is

- **below 5.000 EUR yearly**
- ➔ If Libri's paid fees from digital sales to you as the publisher is below this limit, no tax deduction needs to be done. But as soon as the revenues are above the limit, we need to withhold the tax and install it to the German Federal Central Tax Office. Therefore, it is very important that we receive a Certificate of Exemption from you to avoid these payments also in the future.
- ➔ As there will only be an exemption limit of € 5,000 per publisher per year beginning from January 2022, and if this exemption limit is exceeded, Libri is obliged to deduct withholding tax retrospectively from the beginning of the year.
Starting in 2022, Libri will therefore calculate the withholding taxes to be withheld **every quarter** and deduct it from the revenue payments to the publisher.

General and further information about withholding tax can be found directly on the websites of the German Federal Central Tax Office:

- [BZSt - Withholding Taxes](#)
- [BZSt - Withholding Overview](#)

Please fill in the following details for section II of the application form when applying for the Certificate of Exemption:

Remuneration debtor:

Name: Libri GmbH
Residential address: Friedensallee 273, 22763 Hamburg, Germany
E-mail: Hauptbuchhaltung@libri.de
Tax number: 27/279/00139

In case you have already applied for an exemption and received the granted certificate from the German Federal Central Tax Office, please do not forget to apply for a new exemption before the previous Certificate of Exemption expires. **We recommend applying for new exemption at least 6 to 9 months before the expiry date of the previous Certificate of Exemption.**