

German Withholding tax on license payments to foreign publishers § 50a EstG

(Quellensteuereinkommen bei Zahlungen für Lizenzen an ausländische Verlage § 50a EstG)

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 digital eBooks & audiobooks is defined by law as a license business.

Distribution based on Agency (Commission) model

→ below is *not* applicable and *no* withholding tax is charged.

Distribution based on Resale (Wholesale) model

→ royalties that Libri (wholesaler) pays to the publisher, who is *not* located in Germany, 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 example (selection only):

- 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.

In order to prevent Libri from deducting withholding tax from publisher's eBook royalty payments and to avoid double taxation, the publisher himself must apply for and receive the **Certificate of Tax Exemption** from the German Federal Central Tax Office.

The exemption can be applied for electronically in the online portal of the German Federal Central Tax Office ([BZSt - online.portal](#)). To do this, the applicant (publisher) must first register on the portal.

Please note: The publisher's company name in the application and the Certificate of Tax Exemption must be exactly the same company name that Libri uses on the credit notes provided to the publisher (based on the eBook agreement).

Please use the following details when referring to Libri in your application:

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

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.

Further information:

- [BZSt - online.portal](#)
- [BZSt - Withholding Overview](#)
- [BZSt - Withholding Taxes](#)
- [BZSt - Forms](#)

If Libri does *not* receive your Tax Exemption Certificate and royalty payments from Libri to the publisher reach a certain amount (see below), **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 payments to the publisher or 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 the publisher 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).

Exception II:

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

- **below 10,000 EUR per publisher per year**

The exemption limit for the withholding of withholding taxes for license proceeds (transfer of rights) has been raised from formerly 5,000 EUR to 10,000 EUR with retroactive effect from January 1, 2024.

If Libri's royalty fees from digital sales to the publisher is below this amount, no tax deduction needs to be done. Once the royalty payment is above this amount, Libri needs to withhold the tax amount and install it to the German Federal Central Tax Office. The only option to avoid this tax deduction, is that Libri receives a Tax Exemption Certificate. The Tax Exemption Certificate is not retroactively applicable.

Libri is obliged to deduct withholding tax retrospectively from the beginning of the year, if the above mentioned amount limit is exceeded throughout the year.

Libri therefore calculates the withholding taxes to be withheld every quarter and deduct it from the revenue payments to the publisher.

Expiration and Renewal:

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.