GLOBALLY
ACTIVE

INTRODUCTION TO GENERATION CHANGE

NOT ONLY ABOUT TAXES

Succession is governed by the law of the last state of residence of the person.

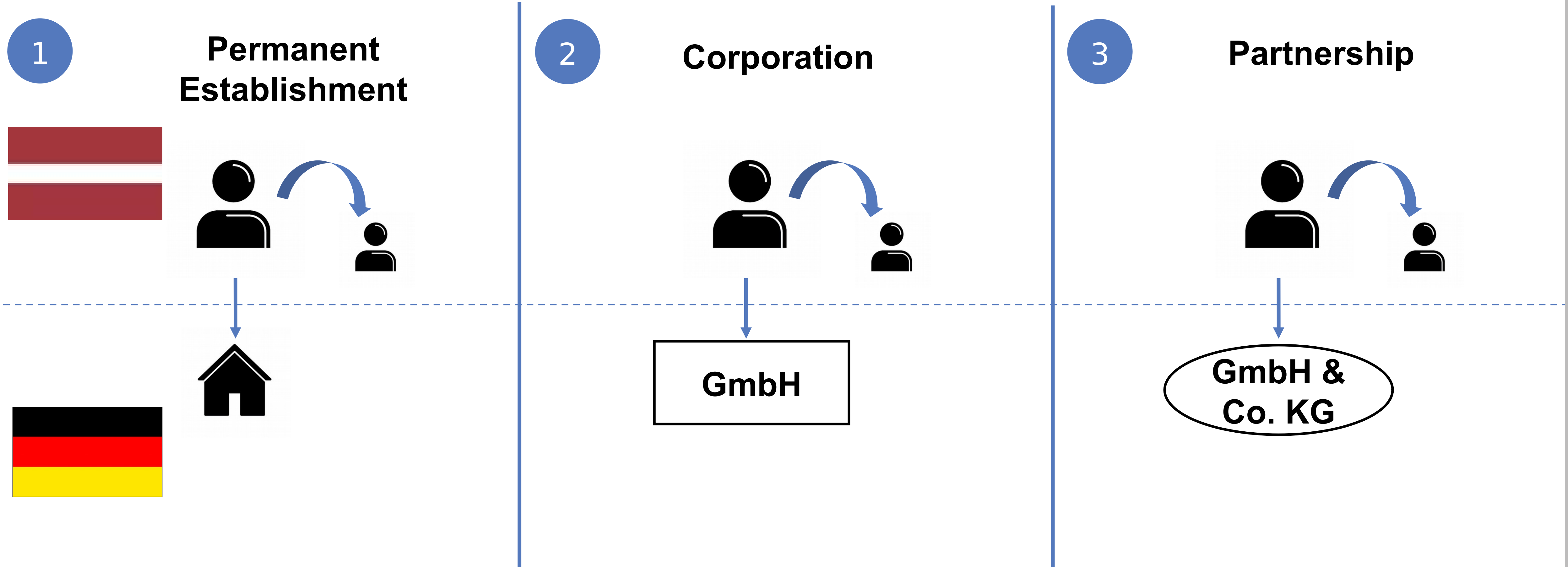
Transfer of estate to successors may require legal steps in country where estate's assets are located.

What about replacement of deceased person in representative boards and as a shareholder?

Should you think about the ownership structure of your companies?

INHERITANCE / GIFT TAX ISSUES REGARDING ASSETS ABROAD

Direct investment in Germany



INHERITANCE / GIFT TAX ISSUES REGARDING ASSETS ABROAD

Limited tax liability in Germany

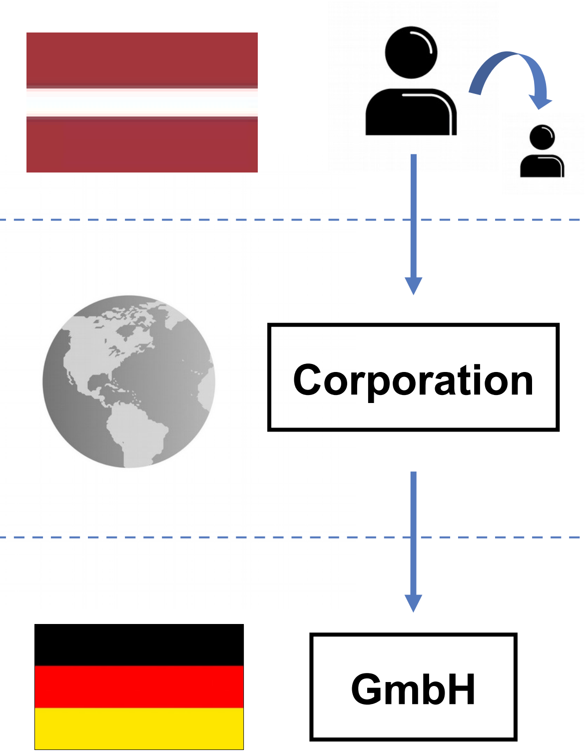
Inheritance or gift tax is only levied on domestic assets, if

- Neither the deceased / donor nor beneficiary / donee has a residence or habitual residence in Germany

- Domestic assets include e.g.
  - Land and buildings
  - Business property of a permanent establishment or such property owned through a permanet agent in Germany
  - Shares in a resident company (AG/ GmbH) if the non-resident shareholder, alone or together with related persons, has a direct or indirect interest of at least 10%
  - Business property let to a business located in Germany
  - Agricultural and forestry property

INHERITANCE / GIFT TAX ISSUES REGARDING ASSETS ABROAD

Indirect Investment in Germany via foreign corporation



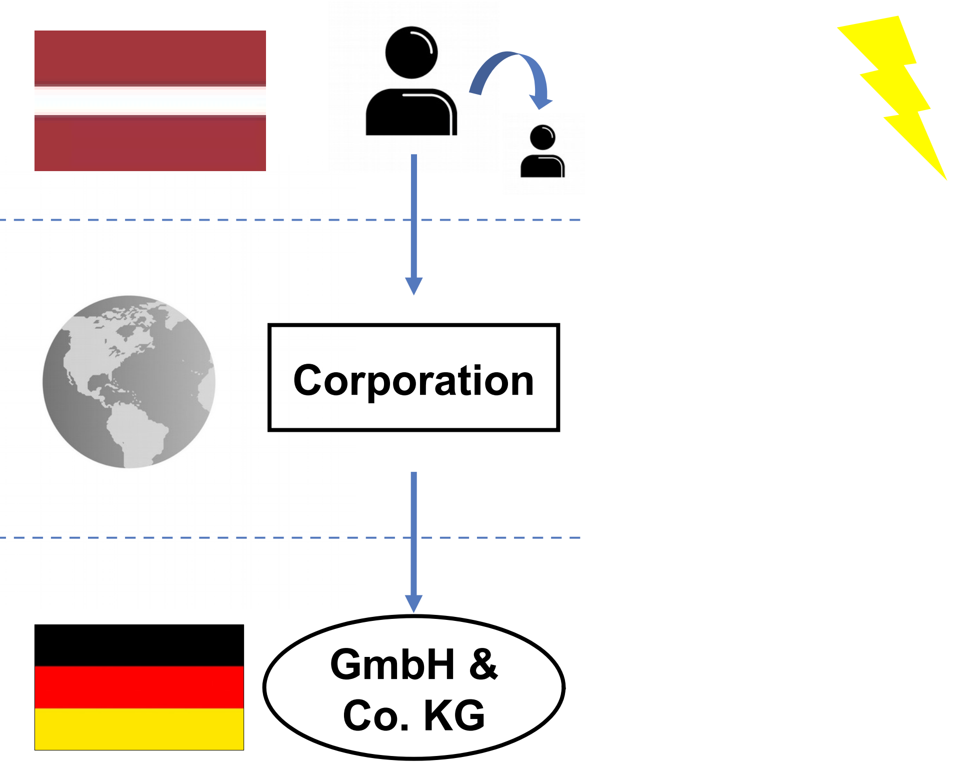
Avoidance of domestic assets in Germany possible, if

– an individual holds shares in a foreign, non-German corporation
– which is the shareholder of a German corporation

➢ German GmbH is not treated as a domestic asset for inheritance / gift tax purposes due to the interposed foreign corporation (no look-through-approach)

INHERITANCE / GIFT TAX ISSUES REGARDING ASSETS ABROAD

Indirect Investment in Germany via foreign corporation

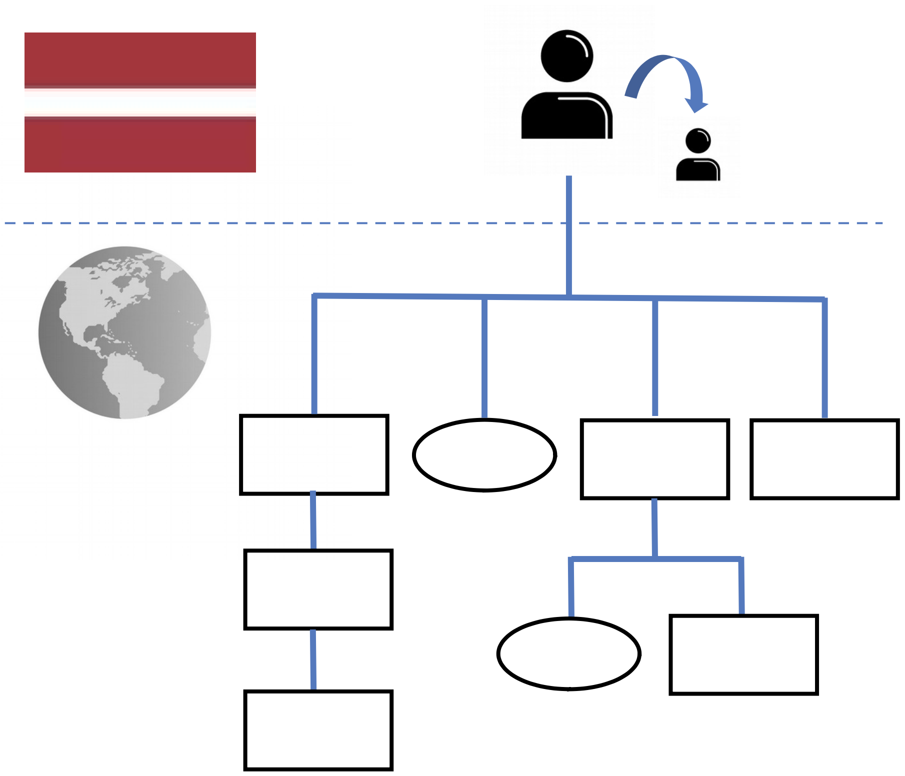


Indirect investment in German partnership does not avoid the existance of domestic assets for inheritance / gift tax purposes

- German partnerships are generally treated as domestic assets

INHERITANCE / GIFT TAX ISSUES REGARDING ASSETS ABROAD

Worldwide holding structure

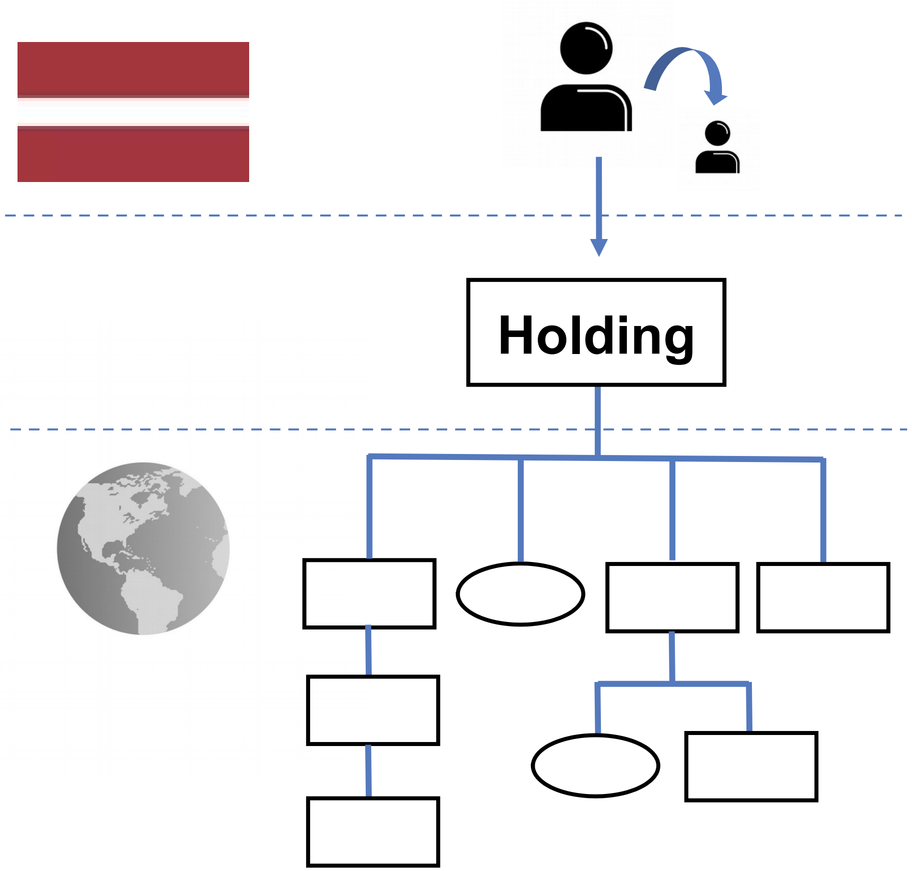


Corporate structure:

- Each investment abroad must be checked individually
- Adverse inheritance / gift tax consequences possible

INHERITANCE / GIFT TAX ISSUES REGARDING ASSETS ABROAD

Worldwide holding structure

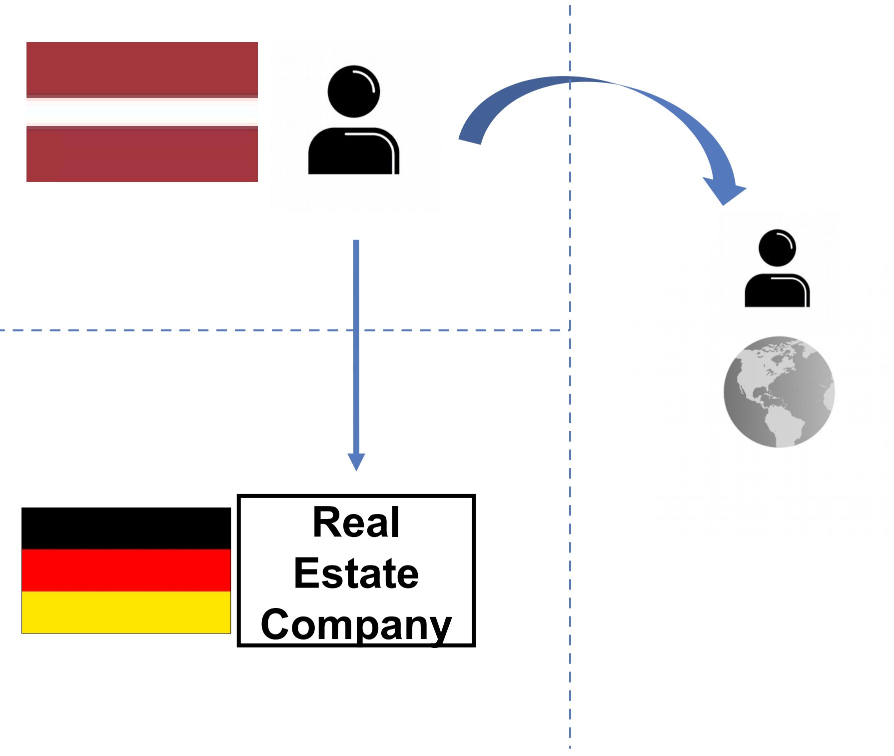


Possible solution for successful succession planning

- Establishment of a holding company
- Aim: Avoidance of inheritance / gift tax at downstream group levels
- to be carefully checked in detail based on the real existing group structure

INTERNATIONAL ASPECTS TO BE CONSIDERED

INCOME TAX ISSUES OF ASSETS ABROAD



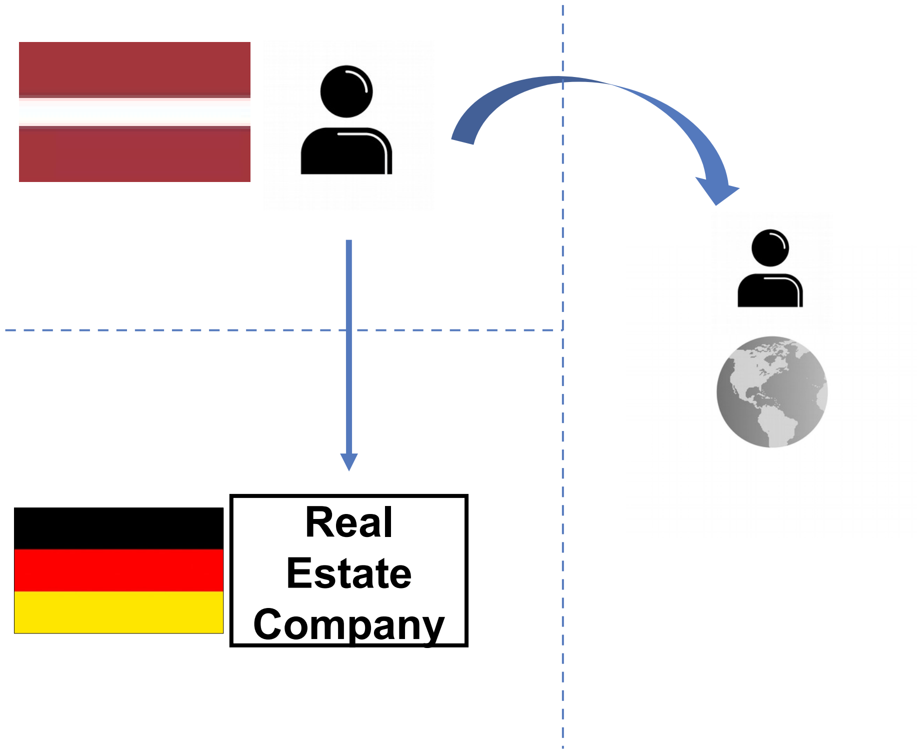
Future income tax consequences can change due to inheritance/gift

Example: Taxation of capital gains

Taxation before inheritance: Latvia – Germany

- Capital gains resulting from the sale of shares in the German real estate company are taxable in Germany acc. to the DTT (double taxation agreement) Latvia-Germany

INCOME TAX ISSUES OF ASSETS ABROAD



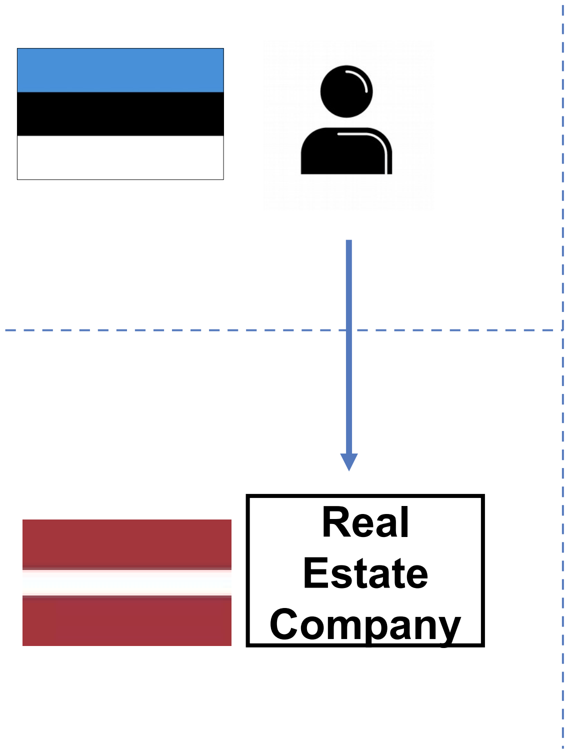
Example: Taxation of capital gains

Taxation after inheritance: World – Germany

- Taxation of capital gains resulting from the sale of shares in the real estate company after inheritance depends on the respective double taxation agreement between Germany and the country of residence of the heir
- → Future capital gains might be taxable in the country of residence instead of Germany
- → Effect on the tax burden of future sales

INTERNATIONAL ASPECTS TO BE CONSIDERED

INHERITANCE / GIFT TAX IN LATVIA



Inheritance fully exempted from personal income tax

- Effect on the tax burden of future sales

Gift tax

- Gifts between relatives (to third degree of kinship) or spouses fully exempted from personal income tax
- Other gifts between two natural persons exempted up to EUR 1425
- Effect on the tax burden of future sales

Stamp duty on real estate transfer

- Gifted – 3% of real estate value
- Inherited – 0,125% - 7,5 % of real estate value

THANKS