

was replaced by the final withholding tax as of 1 January 2009. Income (capital income and capital gains) is now taxed at a uniform final withholding tax rate of 25% (plus solidarity surcharge).

▪ **Upon liquidation**

Acquisition upon liquidation of the foundation is considered a gift inter vivos. In this case, as in the establishment of a foundation, family foundations benefit from tax advantages (see “Tax Treatment of Foundation Endowments”).

4.2.2. Public Utility Foundation

The meaning of “public utility” is defined in German law: To be considered as a public utility foundation, a foundation’s activities must be exclusively and directly aimed at altruistic promotion of public welfare. Support of a foreign public must result in positive impacts on the German general public.

Tax Treatment of Foundation Endowments

The transfer of assets in connection with the establishment of a public utility foundation is exempt from inheritance and gift tax as well as from real estate transfer tax.

At the foundation level, assets may be recorded at their book value if the donation is tax-deductible as a special expense at the level of the donor. For the donor, the transfer of assets has the advantage that he does not have to reveal hidden reserves as would have been the case in the event of a withdrawal of these assets.

The donor may, within certain limits, record the endowment to a public utility foundation as a special expense.

Regular Tax Treatment of the Foundation

Public utility foundations are exempt from corporate tax and value-added tax (for general welfare, events or youth welfare) or subject to a reduced value-added tax rate of 7% (for other services). Moreover, public utility foundations are exempt from tax on land and buildings.