

Withholding tax relief procedure pursuant to Section 50a of the German Income Tax Act (EStG): Proposals for reducing bureaucracy and simplification

Foreign authors must apply to *the Federal Central Tax Office (BZSt)* for an exemption so that the German publisher is not forced to reduce the fee payment by 15% withholding tax (withholding tax for licenses). However, since the application has to be submitted digitally, processing times have become extremely long. Waiting times of 12 to 24 months for the exemption notice are commonplace. This naturally delays payments by the same amount of time. For authors, waiting so long for their royalties can be a matter of survival. This practice is damaging to the German culture and media industry because it makes Germany an unattractive location. In other European countries, only a certificate of residence is required, if anything.

In October 2024, a discussion took place at the BZSt in Bonn with representatives of the entire media industry, including the German Publishers and Booksellers Association, GEMA and SAZ. The BZSt promised to return to the statutory three-month deadline by the end of 2025. Unfortunately, this goal seems a long way off: for example, exemption applications from July 2023 have still not been processed or decided.

There are a number of proposals to simplify and reduce the bureaucracy of the procedure. These include the following:

1. For the processing and examination of exemption applications in accordance with Section 50a of the Income Tax Act, a clear distinction must be made between fees and licenses from intellectual property rights and other income, such as capital gains. In this context, it should be examined whether the *International Standard Name Identifier (ISNI)* can be used for authors of all types of works in order to identify authors in this procedure as well and thus simplify the procedure.
2. The significant increase in the threshold value in *the so-called simplified procedure*, for which no exemption is required, from currently 10,000 euros to 50,000 euros. This means that no exemption needs to be applied for annual licence or fee payments up to this amount. As a result, the number of cases to be examined by the BZSt will be significantly reduced, allowing it to concentrate on essential cases. At the same time, many authors will receive their advance payments and fees without further bureaucratic effort and waiting periods. This will also benefit German contractual partners from the cultural and media industries.

3. The extension of the deadline for exemption notices from three to six years. This also significantly reduces the workload at the BZSt – both for authors and their German contractual partners.
4. Applying for an exemption is often a difficult hurdle for foreign authors, especially since further communication from the BZSt is only in German. It would make more sense if their German contractual partners from the cultural and media industry were to take on this task on a mandatory basis and provide a guarantee that the contracts in question are intellectual property rights contracts – if necessary, in conjunction with a certificate or declaration of residence from the author, following the example of other countries. This would eliminate the need for the BZSt to submit and review each individual contract, thereby significantly reducing its workload. In case of doubt, the contract can still be requested from the BZSt. The application by the German contractual partner is already possible on a voluntary basis and on the basis of a power of attorney.

These proposals are also consistent with points 16 and 30 of the final report of the German *Initiative for an Effective State*, which calls for greater competitiveness and greater trust.

Responsible ministries: Federal Ministry of Finance, possibly also the Federal Ministry for Digital and State Modernisation

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[Position paper of the associations of the cultural and creative industries](#)

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The Game Designers Association is a professional association that represents the interests of game designers in public and vis-à-vis publishers and other users of their work. It has over 750 members in Germany and abroad, 28% of whom are based in other countries. The game publishing industry in Germany comprises just under 200 companies, ranging from the market leader with over 1,000 employees to small start-ups.

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