

2022

Roadmap to registering an association in Germany

A comprehensive guide for international art
and cultural organizations seeking to register
as "eingetragener Verein" (e.V.) in Germany.

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What is this guide about?

In the past years, several international organisations have established themselves in Berlin, many of whom were organisations from the Arab world, working at the intersection of film, art, community, and cultural movements. Some of them were registered in Arabic-speaking countries before but chose Berlin as their gathering place, a space of refuge for their projects to flourish without having to contend with the constraints of political and economic turbulence in their respective countries. Some developed from projects into organisations and chose their place of registration in Berlin as a hub for Arabic-speaking like-minded NGOs.

When Jeem - which started as a project - decided to register as an association (e.V.) in Berlin, hardly any information on the different steps and challenges of the registration process was available in English. The team therefore looked for expert support to write down guidelines for the registration process, which provided the basis of the document we share with you today.

Recognizing this significant gap in publicly available information, the organisations NAAS, NAWRAS (who are already successfully established e.V. in Berlin) and Jeem came together to develop a Roadmap that would support other non-German-speaking organizations or interested groups through the process of registering as an e.V. in Germany.

This Roadmap is the outcome of the cooperation. In it, we've gathered our insights and experiences and those shared with us by other organisations, and matched those with information received through conversations with lawyers and tax advisors, in addition to information found on official sites online. Though neither the author of the original document nor any one of the three organisations have a legal background, our aim is to offer valuable insights to help you make sense of the process and facilitate the roadwork ahead.

The contacts we mention here are specific to Berlin, nevertheless, this Roadmap remains helpful for organisations registering in other German cities as the legal and bureaucratic procedure will be the same.

Finally, we are hoping to have this document translated into other languages and will happily assist if you volunteer to translate it into your language.

We would like to thank Marion Schmidt, author of 'Roadmap to Independence' the initial and foundational version of this guide that was commissioned by the Goethe-Institut in 2020 for Jeem.

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This collaborative guide has been prepared by NAAS e.V., Jeem and Nawras e.V. Issued in its first edition in 2022

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“Jeem” is an Arabic-language website which produces knowledge as well as critical and cultural content about gender, sex and sexuality that challenges and transcends the prevalent discourse of the mainstream media.

NAAS – Network of Arab Alternative Screens e.V. – a German non-profit association registered as e.V., and currently counts 21 members in 11 countries. The network champions long-term collaboration and solidarity among a growing constellation of initiatives and spaces that maintain community around film, providing opportunities and resources for the cinema sector to cultivate critical thinking and dialogue among audiences across the Arabic-speaking region.

NAWRAS is a non-profit organization founded in Berlin 2017 that seeks to ensure the continuity of immigrant art and culture in Germany. Nawras supports immigrant artists by creating opportunities and facilitating partnerships in an open and welcoming environment that helps artists to pursue their work both independently and in collaboration with others through a conscious, fair, equal, and meaningful interaction in an effective and influential way within their new environment in Germany.

The website is aimed at Arabic-speaking youth in the region, Germany, and around the world. Jeem provides a space for all to express their opinions and participate in discussions surrounding the different aspects of sexuality and its intersections, and create connections with other individuals or collectives who are interested in the same issues. The website was launched as a project of the Goethe-Institut in 2018. Jeem was founded as an independent association in 2022.

jeem.me

naasnetwork.org

nawras.org



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Marion Schmidt

Marion is a freelance project manager and consultant for individuals and organisations based in Berlin. Her field of expertise is in project management and organisational development in the international documentary, arts and development sector. She has worked and lived in the UK, Germany and Egypt and works internationally.

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Introduction

On the road to an independent, structurally stable entity, finding the right legal form that suits and serves the needs of the cause and mission of the endeavour requires a lot of research and internal group work.

Before diving into the practicalities of how to found an association (e.V.) in Germany, there are a few important points for you to consider **before** starting this process as a team:

- **There is an agreement among the team that founding a legal entity serves the needs of the initiative, and decisions are process rather than ego-driven.**

Why do you as the team believe that it makes sense to establish an independent entity in Germany? What role would every one of you like to play in the new entity? What is the long-term vision for this new entity (collectively and individually)?

These are only some of the questions that should be asked, discussed, and answered before you start the registration process so as to ensure clarity and common ground. **Not everyone** may need to have a role in the governance structure (but this does not exclude them from being part of the team), and it might make sense to list the people and their specific skills and networks who can make the structure stronger with their presence and input.

- **There is an agreement that the new structure is built with the current members of the team in mind, and aims at creating ownership and sustainable working conditions.**

One person can perform different roles simultaneously i.e., be a founding member and an employee, or be a board member and a paid freelancer etc.. This helps foster a feeling of playing an integral part in the new entity.

Eventually the aim should be to find a **fair set up** that is **transparent, accountable, and based on effective and efficient processes.**

- **The legal structure should serve the purpose and not the other way around.**

This is an important one! Do not forget that you have decided to found an association in Germany to support and stabilize your work, not to make it more difficult.

- **The legal structure doesn't necessarily infringe on the internal team structure of the organisation.**

Yes, the structure and different bodies of an association are somewhat pre-defined. In a way they define the "container" in which the actual work is being done. What happens inside of this "container", and how you as a team decide to work together, define hierarchies, and agree on working conditions is only in very few instances (e.g. when it comes to German employment law, or of course in cases of abuse or misconduct) connected to the legal entity's structure.

When these points are discussed and cleared, the process of setting up the legal entity can begin.

Most of the common questions will be covered in this **Roadmap** to support you in the process. We will also link to external websites and resources whenever possible.

However, once you have agreed on the overall structure, decided on the founding members, and have started drafting a statute, we recommend you seek external support of experienced **tax and legal consultants**, who are experts in Associations and Non-Profit Law (= Vereinsrecht & Gemeinnützigkeitsrecht).

Both laws and the tax implications they have are a bit tricky and tend to leave room for interpretation. Moreover, communication with the finance authority or social security providers (in case the association has employees) is much easier through a tax advisor, who takes care of these matters for you. Ideally the tax advisor also supports you with the monthly bookkeeping, financial reports and of course files the association's taxes at the end of the year.

Finding a tax and legal consultant with the required expertise is not easy, as many firms have long waiting lists, or do not accept new clients altogether. Hence finding a tax and legal consultant you trust is one of the first steps to take when you decide to launch into the founding process. If you are currently looking for support, have a look at our list of contacts to legal and tax advisors in the live document.



Please bear in mind that this kind of consultancy is expensive. Check different firms for the hourly rates before you decide. Come prepared to the meetings and try to limit the legal consultancy to 4 to 6 hours.

Unregistered Association vs. Registered Association

Association

According to the German Civil Code ((BGB) §§ 21 to 79) an association is an alliance of a larger number of people for a common purpose. Anyone can form an association for any purpose (e.g. chess playing on every second Tuesday of the month). If more than one person agrees to the founding of the Chess Association, the association legally exists as a non-registered association.

Unregistered Association

An association without registration has limited rights and duties, and runs the risk of not being taken seriously in the eyes of bureaucratic institutions, banks, and international funders. Moreover, an unregistered association does not have a legal capacity, thus the members of the board are fully liable for all aspects pertaining to the representation of the association and its assets.

Registered Association

For an association to have a legal capacity it needs to be registered at the Registry for Association (Vereinsregister). Thereafter it carries the addition **e.V.** (eingetragener Verein = registered association). By registering the association at the district court (Amtsgericht), the association achieves the status of a legal entity. The process requires the participation of **at least seven founding members (there can be more!)** in a founding meeting at which they have to agree to and sign the **Statute (Satzung)**. Following the registration the number of members can drop to **three** (by existing members leaving the General Assembly) or grow indefinitely (by new members joining the General Assembly).

A registered association can be granted charity status and thus be exempted from paying corporate and trade taxes. An e.V. is organised democratically with the same rights and duties for all its members. **The costs associated with founding an e.V. are relatively low.**

In a registered association members **are not liable** for the association, the association is a **legal entity** that can be sued and can sue **in its own name**. It is represented legally by the board, the board is legally liable, and can appoint a management to run the e.V., or run it entirely themselves (see more in chapter: **The Role of the Board**)

Usually an e.V. cannot mainly pursue economic purposes. Any such endeavours must be subordinate to the main ideational purpose set out in the e.V.'s Statute (see more in chapter: **Nonprofit Status**).

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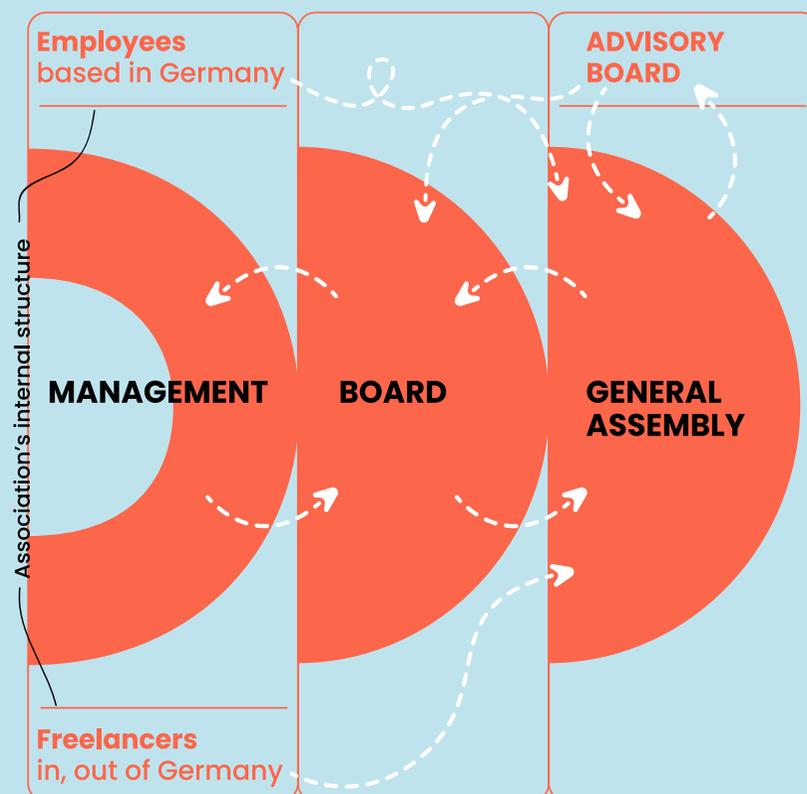
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Structure of an e.V.

A team working in an association can decide how they want to organise their working culture, however the governance structure, i.e., the legal bodies of the entity and their roles, duties and interactions, are pre-defined. To make good decisions for the longevity of the association, it is important to understand what these roles are and who can be the right fit to take them on.



Members

Legally, every natural or legal person can become a member of any e.V.. The application for admission has to be submitted in writing to the board (Vorstand). With their application the applicant accepts the statute in case of their admittance. **There is no entitlement of admittance.** The board decides about admittance of members. The applicant has to be informed about the decision; the decision does not require justification.

Who Can Be A (Founding) Member?

Anyone can be a (founding-) member who is accepted by the board and the general assembly, and who complies with the statute. Founding members **do not have to be German citizens or based in Germany.**

The law does not differentiate between European and German citizens in this context. Persons without a European passport can be founding members of the e.V., yet it is advisable to ensure that they can obtain the right to enter Germany regularly to fulfill their duties as General Assembly and potential Board members.

A permanent residency and/or registered address is not a requirement. With the advent of more digital solutions also in the associations' world, more and more duties can be performed digitally, including holding digital general assembly meetings including voting.

In case of rejection the applicant can involve the **General Assembly** to make a final decision about their admittance.

In practical terms this is only of interest to so-called membership-led organisations, whose purpose it is to continuously grow their pool of registered members. In many such cases one of the main sources of income for these organisations are membership fees.

In practical terms it makes sense to choose founding members who are

- a)** willing to take on board duties i.e., are ready to be elected to the Board and to take on legal responsibility for the association,
- b)** have the legal status to perform their duties i.e., can sign to open a bank account, can appear in front of a notary, can sign contracts on behalf of the association,
- c)** live not too far away from each other (in particular if the statute regulates that the association is legally represented by two board members).

● KEEP IN MIND

This point becomes less important once the association has been founded. The board can then appoint management to perform many duties on their behalf.

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In the case that the association you want to form consists of less than seven people, you can find additional people **that either have skills or networks that can benefit the association**. It can be of great benefit for the association to have (founding-) members and potential board members who:

- have good contacts to funders in Germany and/or worldwide,
- are experienced in dealing with public money in a German context,
- understand the specificities of German non-for-profit laws and other legalities around associations,
- have a great network into the media and culture scene,
- are part of a useful network
- have experience that is specific to the needs of the association.

● KEEP IN MIND

The founding members are expected to follow the statute they set out for the e.V. However, they are also the ones to decide on the relationship/ interaction between the General Assembly, Board, and Management within this statute.

Avoid registering a “Foreign Association”

Article 14 of the German associations’ law states that associations with a majority of non-European general assembly and board members are considered **“foreign associations” (Ausländervereine)**. Such associations can be subject to closer scrutiny. **Thus it is highly recommended** to keep a balance between non-European and European **founding, general assembly, and board members**.

Founding Members vs. Members

Generally, all members are treated equally. This applies to the seven (or more) founding members in the same way as it does to any other member of the association that joins the general assembly after the founding of the association.

The Role of the General Assembly

The general assembly is the assembly of all members of the association. It is the highest body of the e.V.. It needs to be duly convened at least once in a calendar year. An exceptional general assembly is to be convened if considered necessary by the board or if requested by at least one quarter of all members, stating the relevant reasons.

General assembly meetings follow a strict legal protocol, they need to be minuted (in German) and the minutes need to be signed by the meeting chair, and the minute taker. Changes to the board or statute need to be reported to the Registry of Associations immediately after the meeting.

General assembly meetings can be held physically or virtually. The possibility for virtual meetings need to be laid down in the statute as an alternative option.

Legally the general assembly decides particularly about:

- Election of the board
- Requests by board and members
- Dismissal of board members
- Receipt and acceptance of annual, financial, and accountability reports
- Dismissal of the board
- Approval of the membership fee regulations
- Approval of scholarship regulations
- Resolutions about Statute changes
- Resolutions about closure of the e.V.

Usually people are appointed to join the general assembly, because they have a vested interest in the organisation and its cause or can bring into the organisation specific skills and knowledge (e.g. legal knowledge, a great network etc.). In such cases the number of members is kept relatively small (e.g. not more than 15-20 members in total including the founding members). The General Assembly, next to their legal duties, are used as a **Sounding Board for team, management and board members**.

● KEEP IN MIND

The board members are elected from amongst the General Assembly. Therefore it is advisable to not keep the number of members too small.

The Role of the Board

The board is **elected by the general assembly**. Board members are usually elected from the membership, it is however possible to **appoint and elect candidates from outside of the membership**. This needs to be specifically regulated in the statute. Usually this option is adopted by established associations, who run open calls for board members.

The board is in charge of all matters regarding the e.V. In particular it is responsible for the management of current operations, preparations for and convening of the General Assembly as well as setting of the agenda and conducting the actual General Meeting.

Furthermore, the board is in charge of managing all assets of the e.V. (material and immaterial) and takes care of the approval or rejection of membership applications. Board members can be paid for their work for the e.V.; this **must be mentioned in the statute**.

The board can appoint a management to take care of running operations. Furthermore the board can establish and dissolve working committees to support the work of the e.V.

The statute regulates the minimum and maximum number of board members; the term length and if more than one board member is required to legally represent the association. Board meetings are much less formal than general assembly meetings and can occur on a needs based basis but no less than twice a year.

The board can give itself by-laws, regulations, and agree on a hierarchy (e.g. Chair, Co-Chair, Secretary, and Treasurer). This is not a requirement. Many associations in the NGO sector opt for having between two and six Board members (you can state this range in the Statute), and for the option of two-person representation, and a term between two and five years.

● KEEP IN MIND

For practical reasons it is helpful that at least one board member resides in the city of the organisation to be able to be present to sign papers and visit authorities.

When the board consists of different members living in different places it is practical to formulate a "Alleinvertretungsmacht" in the statutes (= sole power of representation for a board member to sign documents).

Board Members Liability

Board of directors are personally liable to the association or third parties for damages caused by a (gross) negligent breach of duty in the exercise of their Board activities. According to § 31 BGB the association is liable for its organs, thus also for the board and its members. However, as a rule, the acting board members and the association are jointly and severally liable. This means that the creditor can choose whether to take recourse to the association, the board or both together.

External liability

- Towards outsiders (this includes the tax office, financiers, sponsors) the board members can be liable with their private assets if an organisational deficiency leads to damage. If, for example, the responsible board members do not ensure that tax returns are submitted on time or that not enough assets are set aside to settle tax debts, they can be held personally liable.
- The board of directors can also be held liable for social security contributions not paid on time (this applies if the association has employees).
- Also, the insufficient maintenance of machines with the result of injury to an employee of the association, can result in liability. Furthermore, the issuing of false donation receipts or the misuse of earmarked funds can be considered.
- At events of the association, the board is responsible for so-called duty of traffic safety, i.e., it must ensure that all necessary precautions are taken to protect the participants from damage (example: decorations must be fastened in such a way that they cannot fall down and injure someone). If they do not fulfill this duty, they can be personally liable.
- Towards creditors of the association, the board is liable if, in the case of over-indebtedness or insolvency of the association, an application for insolvency is filed too late, thereby causing damage to the creditors of the association.

Internal liability

- The board members are responsible for the careful management of the association. The board is obliged to pursue the goals of the association as laid down in the Statutes and to align the organisation of the association with these goals. It must inform the general assembly and board colleagues sufficiently and in an appropriate time frame about important occurrences in the context of its management and it must do everything reasonable to avert damage from the association.
- The prerequisite for personal liability of the board of directors is culpable, i.e., intentional or negligent action or omission. The board **cannot exonerate itself** with the argument that it was not up to its task and was overwhelmed with its duties and responsibilities. If it does not have the skills required for its position, it may not assume the office.
- The board is also liable for the delegation of executive committee tasks **to a full-time employee** (e.g. an association managing director), if they have not fulfilled its duties of supervision and instruction.
- The discharge of the board by the general assembly in the annual meeting only releases the liability if the general assembly is fully informed about the right of recourse at the time of discharge. Only in this case the discharge acts as a waiver. **Often however, compelling nonprofit regulations make the discharge ineffective.**

How to limit the risk?

- The liability for slight negligence can be excluded in internal relationships by a regulation in the statutes. This should always be done and applies to volunteering and paid board members alike.
- Experts and specialised consultants should be called in on time (tax advisor, bookkeeping firm, or lawyer).
- To ensure good governance and to establish a system of checks and balances, it is advisable to outsource tax, legal and financial matters to external specialists (e.g. tax consultants, lawyers...) from the very beginning.
- Board members can be insured against liability for financial loss. For associations with a larger scope of business, this is strongly recommended to insure against risks threatening the existence of the association.
- Certain tasks can be assigned to individual members of the board by internal board bylaws. This clause needs to be included in the status.

The Role of the Management

The e.V. can appoint (and employ) a management. As far as the representation of the association by the managing director(s) is concerned, the following different options can be considered:

- The managing director belongs to the board, they can be employed and paid for their work as managing director(s),
- The managing director is appointed from outside of the association. In this case the board grants powers of attorney to the managing director. However, it should be noted that the powers of attorney must be factually limited, for example to certain types of business. The granting of a general power of attorney is not permitted, not even for a limited period of time or subject to revocation at any time.

The management is usually responsible for all operational matters, financial management decisions, HR management, and can legally represent the e.V. in front of funders, service providers and authorities (with limitations).

● GOOD TO KNOW

When the management belongs to the board, a letter of attorney is not needed. Their employment contract should be an employment contract for board members (Anstellungsvertrag für Vorstandsmitglieder).

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A Step by Step Guide 1

Now you know a lot about the different bodies of an association, and have hopefully reached consensus on all (or at least most of the open questions), and ideally have already determined who will be the founding members of the entity-to-be, and they have agreed.

Ideally you have started contacting legal and tax firms with the necessary expertise, and perhaps have already managed to secure an appointment with one of them for a first meeting **(NB: make sure you ask them if they will charge you for the first meeting!)**

● IMPORTANT

Do not be discouraged by initial negative or skeptical reactions of tax and legal consultants towards the founding of the entity! This might just mean that the person is not right for your purpose! It might take a while to find a suitable firm with the right attitude and expertise.

We encourage you to form **a small working group** of no more than three people that takes care of the process of establishing the e.V..

The actual process of establishing an e.V. requires the following steps:

01

Define the unique name and the members of the e.V., membership fees & eligibility criteria.

02

Start drafting the [statute](#) (in German), and share it with your tax and legal consultant for feedback and advice (or let them take care of the whole process of writing it)

03

Send the draft statute to the finance authority for their feedback regarding the nonprofit status of the association-to-be (or better, ask your tax consultant to do this). Doing this before the founding meeting and signing of the statutes, limits the risk of later change requests by the finance authority. Please discuss this with your legal and tax consultant. This usually takes between 2 to 6 weeks. It is usually faster if done through the tax advisors as they tend to have direct contacts into the responsible department.

04

Founding meeting: During the founding meeting, the founding members sign the association into existence by:

- a)** Confirming the Statute with their signatures,
- b)** Electing the Board,
- c)** Preparing the meeting protocol and having it signed by the chair of the meetings and the minute taker.

Congratulations! The association legally exists!



The Founding Process

A Step by Step Guide ②

– Depending on the responsiveness of your tax consultant, plan **around 3-5 months** as a minimum for this process including the feedback from the finance authority.

05

Get a tax number. For this a (relatively) simple form needs to be filled and be submitted to the finance authorities, your tax advisor will do this for you. This usually takes no more than 2 weeks.

06

Register the association at the Registry of Associations. It usually takes between 2-4 weeks to receive the first official register extract. Then your association can carry the addition e.V. and receives a unique registry number.

● IMPORTANT

The address of the association has to be in the city where the e.V. is registered, and can be a private or a commercial address. If it is a private address, make sure to add the name of the e.V. to the buzzer and post box.

07

Open a bank account – sometimes banks have less favourable conditions for non-registered associations, thus it makes sense to either wait till the registration is done, or to present them with a proof from the notary that it has been submitted to the court. Bank accounts need to be opened by the board (the legal representatives of the associations). Usually opening a bank account can be done in a week, if all papers are ready, and board members can legitimise themselves either by going to a branch of the respective bank in person, or through online legitimation.

08

Get a written confirmation by the Finance Authority that the association is considered to be a nonprofit entity, and thus eligible for tax exemption. This can again take between 2-6 or more weeks. Get the help of your tax advisor for the process. You can continue with the next steps while you are waiting for their response (more in chapter: Charity Status).

The e.V. can be active before the tax exemption confirmation (nonprofit status) arrives, and even before the registration is final.

The Statute: Role & Formulations

The Statute³ is the legal constitution of every association. It needs to be written in German language, be formulated in a specific legal language, and follow a predefined outline.

The statute defines:

- the **legal and governance processes of the entity**,
- the **association's purpose** and charitable status,
- and regulates the composition and hierarchy roles of the general assembly, the board and any advisory bodies⁴;
- it may regulate and mention income generation in case the e.V. has an economic arm.

It does not regulate:

- financial management,
- income generation or business planning,
- employment, working culture, or hiring practices.

The statute is a relatively **inflexible** document and usually includes the following paragraphs:

§ 1 Name, main office, financial year

§ 2 Purpose of the association

§ 3 Nonprofit and Charity Status (tax exemption)

§ 4 Membership

§ 5 Rights and duties of member

§ 6 Termination of Membership

§ 7 Membership fees

§ 8 Bodies of the e.V.

§ 9 General assembly

§ 10 Board

§ 11 Closure and Liquidation

● **IMPORTANT**

The statute is **not** your mission and vision statement, nor does it give detailed information about activities, beneficiaries, or team members. **It is the constitution of the legal entity.** The statute can be made accessible on the website, and must be submitted to the Registry of Associations, and the finance authorities. The statute is usually **not used** in outside communication with partners or funders.

³ We have included two sample statutes (English and German) with an Arabic translation in the [online collaborative document](#). Please note that these are only samples to help draft the first Statute that you then share with the tax/ legal consultant for discussion and advice.

⁴ Not every association has an advisory board, it is a facultative body in the governance structure of an association. The advisory board (Beirat) consults and supports the board in their work, and has a right to inquire information from board members about the status of the association and the board's work.

Purpose of the Association

§2 defines the purpose of the association (Vereinszweck). This is the **most important § of the Statute** as it determines how you will be treated by the finance authority (Finanzamt) and the kind of activities the association can be involved in. The purpose of the association must be formulated in a specific language and follows a set of rules.

Here are examples of wording that might be applicable:

Purpose of the association is supporting freedom of speech and critical discourse, fostering international spirit, cultural and artistic tolerance, and international understanding.

It provides a space for all to express their opinions and participate in discussions. It positively influences the achievement and continuity of social and political harmony, justice and democracy as well as addressing religious and ethnic intolerance and discrimination.

In doing so, the association supports collaborations with and among initiatives and collectives from across the globe who are interested in the same issues, and fosters exchange of experience, network, and cultural exchange.

The association pursues neither political nor religious purposes.

The e.V. pursues its purposes and aims mainly by:

- *Implementation of virtual and physical events, conferences....*
- *Establishment and running of the internet platform that regularly produces content....*
- *Publication of...*

§ 52 AO (German General Fiscal Code) lists the purposes recognised as benefiting of the general public, these include e.g.:

- *the promotion of science and research;*
- *the promotion of youth and elderly care;*
- *the promotion of art and culture;*
- *the promotion of assistance for politically, racially or religiously persecuted persons, for refugees, displaced persons, ethnic German repatriates, late repatriates, victims of war, war survivors, war-affected persons and prisoners of war, civilian victims and disabled persons as well as assistance for victims of crime; promotion of the memory of persecuted persons, victims of war and catastrophes; promotion of the tracing service for missing persons;*

● IMPORTANT

The purpose of the association should be defined and written in consultation with an experienced tax and legal consultant to ensure the proper wording as well as the inclusion of all planned activities.

Nonprofit Status (Gemeinnützigkeit)

For the association to be considered for nonprofit, charity status, the purpose of the association must be benefiting "the general public." A promotion of the general public is not given if the circle of persons benefiting from the promotion is firmly closed, for example, membership of a family or the staff of a company, or a permanently small group due to its demarcation.

The finance authority decides whether or not an e.V. is considered charitable, and thus grants the nonprofit status. Initially this is based on the Statute and the information available to the finance authority after the founding of the entity. The authority issues a letter in which they confirm this, based on the Purpose of the Association and its activities as described in the statute; the organisation is then granted nonprofit status. After receipt of this letter, the e.V. can proclaim itself a nonprofit, charitable entity to the outside world.

- **IMPORTANT**
Nonprofit status is granted retrospectively for three years based on tax, financial and narrative reports. For each of the three years these documents have to be presented to the finance authority.

The activity reports (narrative) need to be prepared in German. They include the activities of the association during one calendar year. A one or two pager is normally sufficient as long as it is concise and written along the purpose and activities outlined in the statute.

- **IMPORTANT**
If the nonprofit status is **not granted retrospectively** and the e.V. loses its **nonprofit status**, the e.V. must **repay all corporate tax and income tax for all three years!**

Reasons for the loss of the non-profit status:

- Violations of the statute, e.g., by focusing on purposes or voluntary activities that do not serve the tax-privileged purpose
- Excessive remuneration
- Violations of the law
- Unauthorised benefits to board members or members
- Lack of immediacy

We've mentioned before that the nonprofit law is rather complex, thus **if in doubt make sure you have a tax consultant by your side that you trust, who keeps an eye on your spending and files the taxes for you.**

Advantages of nonprofit status

Tax exemptions for the association

Nonprofit associations are exempt from **income taxes – corporate income tax (equivalent to income tax for individuals)** and **trade tax – with the exception of business operations (wirtschaftlicher Zweckbetrieb)**. They are also exempt from **real estate tax, inheritance and gift tax, and capital transfer tax.**

This tax exemption applies primarily to the ideal sphere (ideeller Bereich): no taxes are due on membership fees, donations, inheritances, grants, apportionments and the like.

Nonprofit associations are also exempt from corporation and trade tax for asset management and special-purpose operations.

Tax exemptions for volunteers and donors

In the case of expense allowances (remuneration) and donations (in some cases also membership fees), nonprofit associations benefit indirectly from further tax exemptions. A special incentive to have one's own association recognised as a nonprofit organization is the authorisation to accept donations and to issue donation confirmations.

Donors can deduct the donation from their taxable income and thus reduce their income tax (Section 10b EStG). The same applies for grants from donors, foundations, public funds etc. which are tax exempt.

General benefits

In addition to the tax advantages and incentives, there are other financial benefits that are generally only granted to nonprofit associations:

- Grants from public institutions or foundations are regularly tied to nonprofit status (often also to institutionalization of the association through registration in the register of associations),
- (free or low-cost) use of venues or other "public spaces" by public bodies.

Generating Income in a Non-Profit Association

For a nonprofit association, income in the ideal sphere is tax-exempt. These are mainly membership fees, donations or public funding.

An e.V. can generate income as a so-called **special-purpose operation (Zweckbetrieb)**. This means that the operation must serve in **its entirety** to realise the **tax-privileged statutory purposes outlined in the statute** of the organisation. The purposes must only **be able to be realised** through such a special-purpose operation.

The special purpose operation must not be in **disproportionate** competition with taxable businesses. All three requirements must be met at the same time.

This can for example be: registration fees for one of your activities, sponsorship deals (money against a specific service), a service contract to create certain content.

In addition, a nonprofit association can also have a commercial business operation (wirtschaftlicher Zweckbetrieb). **This income is not tax-exempt.** Starting at €45,000 euros turnover (as of 2021), you are assessed to corporation and trade tax.

Please check with your tax advisor what the current limit of the annual turnover for VAT payments is. A commercial business operation arm can always be added to a nonprofit association at any time.

● KEEP IN MIND

The distinction between special-purpose operations and taxable business operations is one of the most difficult questions in nonprofit law, and one that regularly challenges nonprofit organisations. In order to avoid tax arrears, it is advisable to check in advance, as early as the planning stage of an economic activity, whether the requirements for a favored special-purpose business are met in full.

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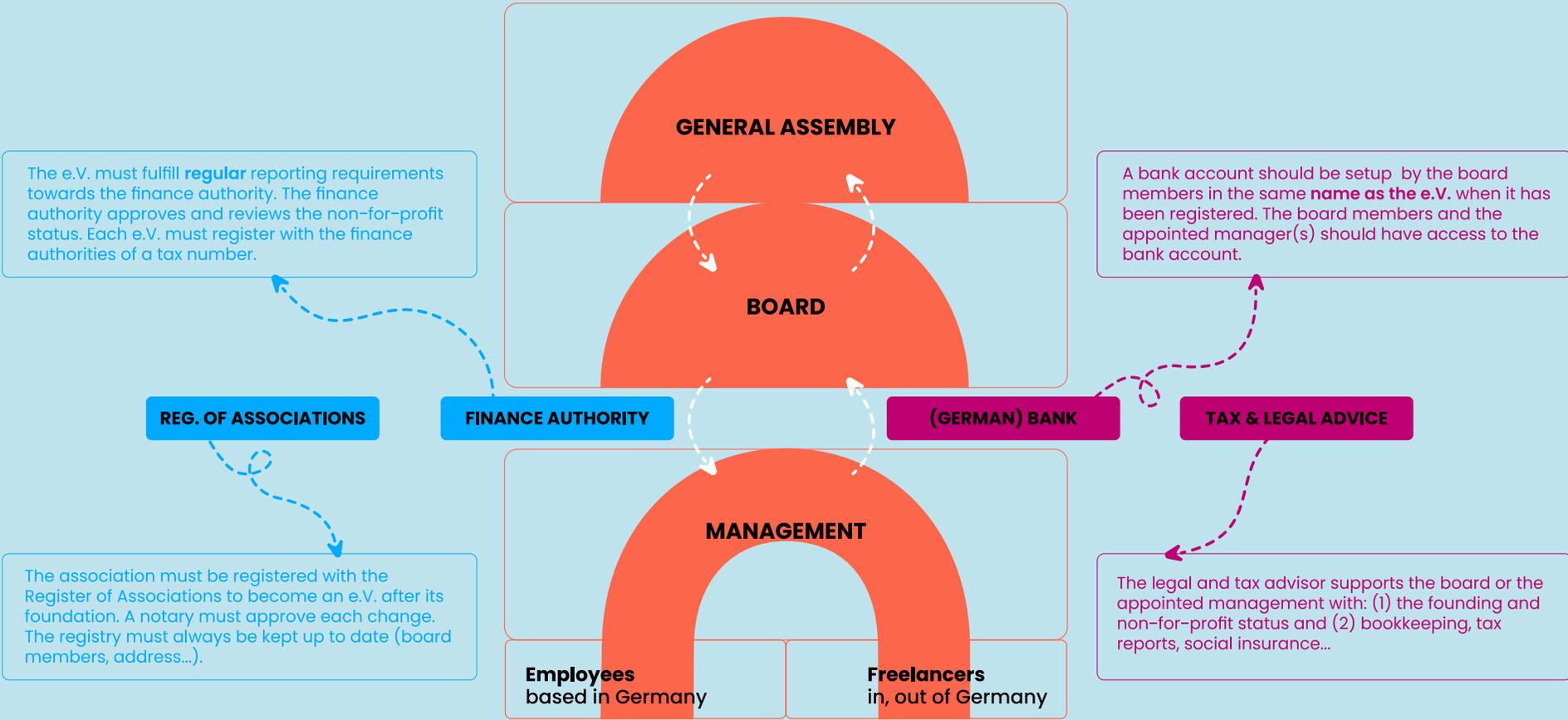
Before You Go

The Founding Meeting and Protocol

The founding meeting session must be protocolled in German following a specific format and wording. The protocol needs to be signed by the chair of the meeting (usually one of the newly elected board members) and the minute-taker. The chair is the person that runs the meeting and makes sure the voting and all other procedures are duly conducted.

Usually you would have decided already before the meeting date who the candidates for the board are, and have spoken to them and ensured that they are ready to stand for the board, and that the majority of the board agrees to them being elected into this position.

Interaction with External Entities



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Registration

For this you need to make an appointment with a notary and send them the signed statute and the founding protocol. The notary will prepare a document that board members must sign in the presence of the notary. They will then transfer this document, the founding meeting's protocol and the statute directly to the **Registry of Associations. This costs €75 Euro + the fee of the notary (around €50 - 100 Euro).**

● KEEP IN MIND

To make sure that in the case your association is represented by two board members jointly they come together to the appointment, or make an appointment with a notary where they live. Sometimes this will require an Apostille, an additional document that the notary has to prepare. This is mostly relevant for notarizations outside of the European Union.

Each time the core data changes, the registry needs to be informed. This includes changes to the board, the address, the name. Changes to Board members need to be done through the notary, other changes can be communicated to the registry directly. Each change to the registry costs a small amount of money.

Opening a Bank Account

To open a bank account **choose a bank that you like and that offers special rates for e.V.s.** Options could be Sparkasse, Commerzbank, or an ethical bank such as GLS Bank. The bank account is opened in the **name of the e.V.** by the board. When you have started the process of registering the e.V. at the registry, some of the banks might already give you the benefits of a registered, nonprofit e.V. Otherwise you could open a regular business account and switch later.

Getting a tax number

You can get a [tax number](#) when the association has been founded and the registration is on its way. You can (and maybe should) mandate your tax advisor to do all the communication for you. They may advise to request the tax number together with the confirmation of the determination of the statutory requirements according to § 60a AO.

The tax number is the **unique number** with which the entity is registered with the finance authority. It is needed for all tax declarations as well as in any communications with the authority.

To get a tax number **you either mandate your tax consultant with it, (what you should do),** or you fill out the form yourself:

[BZSt - Vergabe und Erteilung der USt-IdNr. - „Online-Beantragung“](#)

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Accounting & Financial Management in an e.V.

Accounting

The authorities check the association's accounting to see if there are any tax and duty obligations. The accounting of the e.V. is the responsibility of the board or the managing director. It is the responsibility of the board to ensure that it is carried out properly. The obligation to provide information about the income and expenses of the association to the members in the general meeting is on the one hand anchored in the law, and on the other hand is part of most of the association's statutes.

An overview of all regulations concerning the accountability and bookkeeping of associations can be found in [§259](#) and [§666](#) BGB.

As soon as an association is registered, it participates as a legal entity in economic transactions. This means that it is obliged to keep accounts **even without the intention of making a profit.**

According to [§ 63 Abs. 3 AO](#) each corporation must prove by the proper recording of all income and expenditures that its management is aimed at fulfilling its purposes outlined in the statutes.

● KEEP IN MIND

Unless you have an accounting expert in your team, who is also familiar with the specificities of the nonprofit requirements, I strongly advise to only do the preparatory bookkeeping in the organisation and to outsource the accounting and end of year reports to the tax advisors. This becomes even more relevant when you are receiving financing, grants and donations from different sources.

Administrative and Financial Management

Administrative and financial management is the backbone of any sustainable organisation and should not be underestimated.

Ideally you have someone in your team, who can take on this role, or you are able to hire someone or work with an external consultant. **The amount and complexity of the work depends on the complexity of the operation**, the annual turnover, the amount of employees and freelancers etc..

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Frequently Used Terms

Advisory board **Beirat**

Board **Vorstand**

Board members **Vorstandsmitglieder**

Civic Court **Amtsgericht**

Commercial business operation **Wirtschaftlicher Zweckbetrieb**

Employee **Angestellte*r**

Finance Authority **Finanzamt**

Fictitious self-employment **Scheinselbständigkeit**

Foreign Association **Ausländerverein**

Founding Meeting **Gründungsversammlung**

Founding Member **Gründungsmitglied**

Founding Protocol **Gründungsprotokoll**

Freelancers **Freiberufler*in**

General Assembly **Mitgliederversammlung**

Ideal area **Idealler Bereich**

Legal Consultant **Rechtsberater**

Member **Mitglied**

Nonprofit Status **Gemeinnützigkeit**

Notary **Notar**

Purpose of the association **Vereinszweck**

Register of Associations **Vereinsregister**

Registered Association **Eingetragener Verein**

Special-purpose operation **Zweckbetrieb**

Statute **Satzung**

Tax Consultant **Steuerberater*in**

Tax number **Steuernummer**

Tax-exemption **Steuerbefreiung**

What We've learned from Our Experiences

Addendum I: "NAWRAS" CASE STUDY

Nawras | For the Artist (Nawras)
Promoting Immigrant Artists through
Support programs, legal workshops
and Cultural Events.

ABOUT THE ORGANISATION

NAWRAS is a non-profit organisation founded in Berlin in 2017 that seeks to ensure the continuity of immigrant art and culture. Nawras supports immigrant artists in Germany by creating opportunities and facilitating partnerships in an open and welcoming environment that helps artists to pursue their work both independently and in collaboration with others. through a conscious, fair, equal, and meaningful interaction in an effective and influential way within their new environment in Germany.

Nawras is a space for establishing collaborations and networks based on mutual understanding and equality. With great respect for the professionalism of the represented artists, we encourage the visibility of immigrant cultural productions to German and international audiences. For this reason, it is crucial to provide a suitable environment for immigrant artists to help them pursue their artistic work without having to engage in specific agendas or themes steering away from their personal artistic objectives.

Name of the Institution:
Nawras

Managing Director:
Mudar Alhaggi, Creative Director

Constitution:
e.V. (registered association),
Non Profit Organisation

Location:
Platz der Vereinten Nationen 4,
10249 Berlin - Germany

Team:
Four individuals

Website: Nawras.org

The founding group members of NAWRAS are Syrian and immigrant artists who live in Berlin and it is through their own experience that they understand those needs.

Nawras' main priority is to support immigrant artists in their new lived experiences in Germany. We do not wish to promote the approach of simply evoking shallow curiosity or exploitation that have often been directed at immigrant artists in their new environment. We seek to break the stereotype of what is 'immigrant' and 'artist' and to open up opportunities for the artists to present themselves.

CHALLENGES

Since the initial thought of Nawras as an organisation occurred to a group of Syrian displaced professional artists and cultural managers in 2016, there was a sense of despondency regarding the registration process and the legal matters which seemed to pose a long, bureaucratic and intimidating journey, even for local German artists and cultural practitioners who have different challenges to the ones immigrant artists might experience.

The main issue Nawras has faced in the beginning of its registration journey was the noticeable lack of information on how the process is done in Germany. This rings especially true for those who have yet to perfect the German language—especially when the founding members were recently relocated artists and cultural practitioners with insufficient knowledge around the German arts and culture sector, the forms and shapes of local organisations and associations, or the frameworks they operate in, let alone the exhausting process of legal registration. It must have seemed unattainable in 2016 Berlin for a group of professionals who wanted to pursue their careers and create a supportive hub of some sort which can later serve as a strong and stable organisation that seeks the continuity and support for not only Syrian art in exile but also immigrant art in general.

Another issue arose as the founding members were partnering with like-minded German cultural managers to be among the founding members and set up the core of Nawras as a registered German eingetragener Verein (registered association): the reality of understanding the spectrum of first priority needs of immigrant artists and ways of support were not nuanced and needed to be agreed upon at a very early stage, which was itself a long and cumbersome process.

Additionally, there were the classic start-up struggles of time and money: securing funding and allotting time to the registration process leading up to Nawras' launching of its first program. As a team of enthusiastic individuals who happen to be independent artists exploring the German arts and culture scene while relying heavily on their new found experiences with the projects and partnerships, they were able to form strong relations with local organisations as independent artists that turned out to be consequential to the carving of Nawras.

THE WAY FORWARD

Learning through trial and error, along with benefiting from other peer organisations in Berlin that went through the same process of registration and personal expertise of the founding members was the only way this process was made possible for Nawras.

The struggles faced while establishing and registering Nawras from the point of view of immigrant artists looking to form a mixed German e.V. that serves to promote arts and culture in exile were not easily mitigated and Nawras is still trying out different approaches to help fill the void of the lack of information on all levels for artists and cultural practitioners and cultural managers, and from this specific point stemmed the initial idea of implementing *Sanad: A Legal Support Programme for Artists and Cultural Practitioners - Germany*.

Sanad was a programme that Nawras developed as a series of meet-ups aiming to enhance the legal knowledge of artists and cultural practitioners who have moved or are moving from the Arab region to Germany. Within its six meet-ups, each of which centered around a certain legal focus, Nawras was able to accumulate six distinguished documents that served as a primary introduction in Arabic to the many topics which are on the minds of all immigrant artists and cultural practitioners and managers such as:

taxes, Künstlersozialkasse, freelancing, copyright, intellectual property protection, as well as registering institutions, organisations (Vereine, e.V.). During our non-profit registration meet-up, we received so many questions that the founding members had already experienced before and tried to provide all the necessary information—be it a link or a guiding note—that might have been helpful to those who were looking to start an e.V. but did not know where to start.

The growing number of information sources around registration, licensing, and tax systems that are being offered by many local and immigrant organisations and artistic and academic workshops—along with the narrowing down of the gap of differences and having a nuanced understanding of the needs expressed by e.Vs. and organisations that address immigrant artists—is starting to have an impact on the way we see German bureaucracy when it comes to registration of non-profit organisation and e.Vs.

What We've learned from Our Experiences

Addendum 2: "NAAS" CASE STUDY

NAAS - Network of Arab Alternative Screens e.V.

The granting program that makes you
reconsider everything

ABOUT THE ORGANISATION

Founded in 2009, NAAS has grown into a constellation of film exhibition spaces where worlds and knowledge unfold through the collective experience of watching film in public and diving into thought and critique of culture afforded through the lens of Arab Cinema. For over a decade, a coalition of diverse film exhibitors have gathered and circulated films among one another, exchanged resources, skills and worked together to build a pulsating and viable film culture in the Arab speaking region.

The alternative Arab screens that make up NAAS are sites where cultural policy is created and enacted. Thus, in the process of network-building and community making, NAAS leans heavily on peer to peer learning, participatory decision-making, and dynamic governance with the purpose of fostering co-responsibility and a sense of ownership to fulfill its threefold mandate to champion parallel practices in cultural economy, overcome isolation and fragmentation, and broaden access to the cinema sector.

Through its various programming, NAAS supports the development of cinema structures as hubs for critical thinking and dialogue around film. Through the Cinapses granting program, it aims to lead members into new possibilities for institutional sustainability and programmatic development and to foster collaboration and solidarity among them. On the level of alliances, NAAS focuses on knowledge production, resource dissemination, and cross-sector synergy, imagining new projects that touch on the archives and questions around cultural policy. And lastly, NAAS offers training, workshops, and regional meetings and maintains a 'Travel Opportunities' initiative, promoting mobility for meetings, residencies, film festivals in new geographical areas, and participation in industry events.

The network counts 21 members and affiliates in 11 Arab countries. The members are cinemas, cine-clubs, cultural centers, media and publishing platforms, educational initiatives, film festivals and other networks and include nonprofit associations, limited liability companies and corporations, in addition to other legal forms and even non-registered initiatives.

Name of the Institution:
NAAS - Network of Arab Alternative
Screens e.V.

Managing Director:
Jowe Harfouche, Executive Director

Constitution:
e.V. (registered association),
Non Profit Organisation

Location:
Berlin - Germany

Team:
Five individuals

Website: naasnetwork.org

NAAS has been registered in Beirut as a nonprofit association since 2017. The idea to establish NAAS as an association in Berlin was first brought to the table in response to the network's need to find a common meeting point that is accessible to all members and with the least possible restrictions on mobility. The economic and financial crises that manifested disastrously in Lebanon towards the end of 2019, rendered the measure imperative and sped up its process. Thus, in the wake of these events, the team found its way to Berlin and initiated the registration in 2020.

CHALLENGES

The main issue that we faced during the registration process was that we wanted the network's members to serve on the General assembly of NAAS Berlin, while one of our main programs involves forwarding grants to our members from the association.

This has proven to be in direct conflict with the "Tax-privileged purposes" section of the German tax code. The section states that in order for the association to be considered a non-profit with a tax-privileged status, it has to be altruistic; neither does it primarily pursue its own economic purposes, nor do the members have entitlement to the association's funds. Based on this, if the network's members were to serve on the general assembly of the association in Germany, the very fact that funds would constantly move from the association's bank account to the general assembly's members accounts under the granting program would be a big red flag for the Finanzamt (tax office) in Berlin.

In addition to limiting the use of the association's funds exclusively for statutory purposes, the section above emphasises that the association pursues these purposes directly, or what is termed the direct principal,

which states that the association should pursue and achieve the goals it sets for itself in the statutes by itself as opposed to merely granting or paying similar organisations to carry out activities in the association's field. This holds true even if these activities are clearly and directly in line with the purposes the association sets for itself in the statutes.

It is worth mentioning that granting money is allowed in principle by the Finanzamt but becomes problematic when granting is the only or the principal activity being carried out by the association.

The rationale behind the direct principal is that when the association implements its goals directly, the transactions show on its own financial records making it easier for Finanzamt to monitor what the money is being used for when auditing the association. A granting project would make it difficult for the Finanzamt to control what the funds are being used for when bank statements only show large sums of money that are being transferred to organisations and individuals who reside outside of Germany. The Finanzamt would not be able to confirm whether we are using our funds solely for statutory purposes as we claim or not. It is worth mentioning that the issue is still considered problematic for the Finanzamt even if these organisations and individuals receiving the grants are within Germany and have a German legal status..

THE WAY FORWARD

On the one hand, it was very important for us that the network members finally be the highest legal organ in the association. On the other hand, the network's weight allows it to access funding opportunities and negotiate conditions in a manner that is not otherwise available to the members individually, in addition to that, the granting program, especially in its current participatory approach, is vital in developing partnerships and synergies between the members in the network.

In analyzing both options, it also became clear to us that having cinema members from the Arab region in the general assembly of a German association adds yet another level of complication to registering in Berlin as a local association given the 51% German and EU members quota has to be observed at all times. With new cinema members joining our network every year, keeping up with the above mentioned quota and having to deal with an assembly that will grow disproportionately because of the addition of new cinema members to the network, would become very demanding and impractical. Forming a foreign association also came to mind, but as we've come to understand, although establishing foreign associations is a process regulated and allowed under the German law, there is less certainty about it in practice and foreign institutions are subjected to higher levels of restrictions and scrutiny.

Based on that, we decided to drop the idea of having the network members take part of the general assembly and kept the granting program with a new and more fitting design to observe the German legal context. We then recruited all seven members to serve on the general assembly from outside the network. In order to keep the members' stake in the association and in order to ensure their participation in the decision-making process, we formed a counseling committee composed of representatives from the network's members who work side by side with the administrative board and have to be consulted by the board on all matters and decisions relating to the association, in a form that is guaranteed by the statute of the registered association.

Furthermore, we have overtly mentioned that granting, especially to organisations in the Arabic speaking region, is among our many activities in our Statutes. That was approved after some reservations by the Finanzamt in Berlin. Paragraph 58.1 in the tax code overtly regulates granting activities. We also worked closely with a lawyer on the formulation of the granting contracts that observe the nuances of the non-profit law in Germany. In the contract, our cinema members were contracted as partners working with NAAS to further its mission in the region. This stipulates that we have to exercise control and discretion over the funds that NAAS is granting. Our contracts have to clearly state the deliverables and expenses for which the funds are

going to be used. Furthermore, the contracts have to ensure that there are mechanisms in place for monitoring the use of funds such as reporting, keeping in mind that the grants can be used for programmatic expenses only with a very limited percentage that can be used for personnel and overhead expenses. Most importantly, the partners have to provide NAAS with all the supporting documentation (invoices and payment vouchers in addition to contracts) associated with the expenses of the grants. NAAS in turn is required to keep this documentation in its books ready for the Finanzamt when the time for the periodic audit comes. Finally, the organizations receiving money should also have a non profit status if they are within Germany or the EU, or have an equivalent status to that of an organization outside the EU. The lawyer has informed us that we can and shall check the legal status of the organizations receiving funds with the Finanzamt, who can tell us in advance whether or not these organizations are considered equivalent to a non-profit in the EU.

Here, it is worth mentioning that NAAS's conduct prior to the registration in Germany with regards to granting was not different than what is stated above. We were liable to our funders, in a similar manner and to the same degree and we had to make sure that we are monitoring the use of the money. We had to ask the members to provide periodic reports in addition to all the supporting documentation related to the grants' expenses.

One last point that has to do with yet another principle of the German non-profit tax code that is relevant to discuss here.

The non-profit status stipulations expect from the association to provide its services to the open general public without discrimination or preferences.

Although it is up to the association to decide who ends up benefiting from its services, in principle, the services should be offered and announced as an open call for everyone with a transparent eligibility criteria. Our lawyer has drawn our attention to the fact that we should be careful when having a membership system in the network with a members-only-policy in order to have access to the privileges and the services offered by the network, including granting. We also argued that NAAS's membership policy for joining the network in the first place is open to all eligible candidates who would be granted access to exclusive privileges only after going through a fairly objective selection process based on transparent criteria. In general, however, the association's services and offers should be announced to the open public.

With all the major legal acrobatics that we had to make to safeguard the lifeline of the network, in addition to all the measures that we have taken to make sure that our granting activity falls in line with the German non-profit tax law, we still have been warned that the very fact that we are engaging in the transfer of large funds outside of the association, especially outside of Germany, is going to subject us to added scrutiny from the Finanzamt. With that being said, registering as a non-profit association (e.V.) gives a lot of freedom to civil society organizations, and is the least demanding in terms of the requirements and conditions compared to other legal forms. Something that allows the association to formulate its bylaws in the way it sees fit for its own charitable goals.

Before you go

The “Roadmap to Registering an Association in Germany ” is the crystallisation of our lived experiences. In it, we documented the necessary steps and combined our resources with the hope of offering an alternative to the scattered information across the internet and simplifying the process of registration for you. We drafted this roadmap with the intention of showing you that anyone can do it if they have access to the right tools and support.

We hope we’ve succeeded at that and that you feel more confident going through the process having read our guide and stories.

Together, the “Roadmap to Registering an Association in Germany” guide and your inputs can help diverse and engaged cultural actors transcend the constraints of access, making a slew of new perspectives and influence in the cultural scene in Germany and internationally. We invite you to visit our [Collaborative Live Guide](#), share your own experience of registration and take part in the continuous development of this document.

 [Scroll back to top.](#)

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