



Finances in a Verein: Accounting Handbook

About this document

This handbook was created in the context of the project: **“SAQsen! Stark - Aktiv - Qualifiziert in Sachsen Begleitung, Vernetzung, Coaching und Qualifizierung von Integrationsprojekten”**.¹

Our goal is to explain the most important aspects of finances in a Verein in a clear and simple way. However, because each individual Verein has its own specific situation regarding accounting and financial reporting, it would be impossible to answer every single question. If you require further information, we invite you to make use of our advisory service for migrant organizations, Vereine², initiatives and other interested individuals. We also work in a network with other advisory centers and are sure to find the answers to your questions or the right advisor for you.

It is also important to note that this handbook was created in **autumn 2021**. As tax regulations and the laws that govern Vereine are subject to continuous change, we cannot accept responsibility for any information presented here.

You can find general information on the subject of Vereine and how to found a Verein in our “Instructions for Founding a Verein” on our website, under [“Wissen und Materialien”](#) > “Gründung eines Vereins”. This document is available in 5 languages and also contains a glossary with an explanation of many important terms regarding Vereine.

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Diese Maßnahme wird mitfinanziert mit Steuermitteln auf Grundlage des vom Sächsischen Landtag beschlossenen Haushaltes.

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¹ “SAQsen! Strong - Active – Qualified in Saxony. Support, Networking, Coaching and Qualification of Integration Projects”

² “Vereine” is the plural form of “Verein”



Table of Contents

1. The Obligations of a Verein	2
2. Obligation to Keep Records (Aufzeichnungspflicht) for gemeinnützige Vereine.....	3
3. Einnahmen-Überschuss-Rechnung (EÜR or EAR)	4
4. Payment Documentation – The Most Important Facts	6
5. The Four Areas of Activity of Vereine	7
6. Types of Taxes	10
7. The Verein’s Profits	10
8. Donations	10
9. Payments to Individuals	11
10. Tax Declaration (Steuererklärung).....	12

1. The Obligations of a Verein

Internal obligations

A Verein’s internal obligations are established by the laws that govern Vereine and are contained in the Satzung. Among other things, the board of the Verein (Vorstand) has the obligation of informing the meeting of members (Mitgliederversammlung) of the financial situation of the Verein (Informations- und Nachweispflichten/obligation to provide information and evidence). This has to happen at the very latest at the end of the term of the board. Normally, it is enough to provide a simple list with earnings and expenditures, the corresponding document (invoices, receipts) and an inventory (Bestandsverzeichnis). The inventory is a list of all the assets of the Verein. Assets can be money, objects or other things.

Tax obligations

These are the general tax obligations that a Verein must comply with. If a Verein is gemeinnützig, then it is subject to special rules. The tax obligations of Vereine that are gemeinnützig will also be explained in this handbook.



2. Obligation to Keep Records (Aufzeichnungspflicht) for gemeinnützige Vereine

It is important to understand the difference between two concepts:

- Buchführungspflicht (bookkeeping obligation): This actually refers to “double-entry bookkeeping” (doppelte Buchführung). Gemeinnützige Vereine are generally not obliged to carry out doppelte Buchführung. For that reason we will not explain it in this document.
- Aufzeichnungspflicht = keeping of financial records: This is the form of accounting that Vereine must carry out. It consists of recording the earnings (Betriebseinnahmen) and expenditures (Betriebsausgaben) of the Verein. This record is called an EÜR (Einnahmen-Überschuss-Rechnung/earnings-surplus statement) or EAR (Einnahmen-Ausgaben-Rechnung/earnings-expenditures statement).

Einnahmen-Überschuss-Rechnung (EÜR)

There is no mandatory format for the EÜR. The general procedure is to create a table listing all receipts and invoices, ideally in chronological order. Each item must be identified with a number, for example 2021-01, 2021-02, 2021-03, etc.

The items must be divided into the following four areas of activity:

Idealistic area (ideeller Bereich)	Asset management (Vermögensverwaltung)	Commercial activities for a specified purpose (Zweckbetrieb)	Taxable commercial activities (steuerpflichtiger wirtschaftlicher Geschäftsbereich)
			= commercial activities (wirtschaftlicher Geschäftsbetrieb)

These areas are explained in greater detail in chapter 5. “The Four Areas of Activity of Vereine”

Proof of the appropriate use of resources (zweckgebundene Mittelverwendung)

The Verein must prove to the Finanzamt that it uses its resources (time, money and things) mainly to achieve the aims written in the Satzung. The Verein is allowed to do things that are not related to the aims of its Satzung, but most of its activities have to be related to these aims. In other words, its main activities cannot serve aims other than those written in the Satzung. In addition, activities related to other aims are not allowed to make a loss. Also: No excessive payments may be made to employees or others (excessive can mean e.g. higher than current established wages).

Proof of the timely use of resources (zeitnahe Mittelverwendung)

The Verein has to prove that it has used its resources in a timely manner. Generally speaking, any earnings must be spent at the very latest in the second year after they were made.

Since reforms made to the Gemeinnützigkeit law at the end of 2020, small organizations with yearly earnings of up to €45,000 are no longer subject to this obligation.



3. Einnahmen-Überschuss-Rechnung (EÜR or EAR)

Assigning payments to a financial year

Payments are transfers or cash payments made by the Verein to others or by others to the Verein.

All payments must be assigned to the corresponding financial year. The Satzung establishes when the financial year begins and ends. Vereine generally decide that the financial year is the same as the calendar year, i.e. from 1 January to 31 December.

The date for assigning a payment to a financial year is the date of payment (not the invoice date!). For a better overview, it is advisable to always include the year in the receipt/invoice number (e.g. 2021-01, 2021-02, etc.).

Payments for services that extend over more than a year are still assigned to the year in which payment was made. For example, on the invoice for the hosting of the Verein's website it states that the service period is "from 1 May 2020 to 30 April 2021". However, because the service was paid for on 15.05.2020, this payment is assigned entirely to 2020.

Exception: The 10-day rule

Recurring payments are payments that take place regularly and at least once a year. In the case of these recurring payments there is the so-called 10-day rule. This means that if a recurring payment was made up to 10 days before the start of a financial year or up to 10 days after the end of a financial year, then it can still be included in that financial year.

2 examples:

On 10 January 2021 the payment for the Verein's telephone service for December 2020 was made. This payment can be assigned to 2020, because the service belongs to that year and is within the 10 days. However, if the payment is made on 11 January, it must be assigned to 2021.

The payment for the Verein's third-party insurance for 2021 is made on 23 December 2020. Because the service is for 2021 and is within the 10 days, it can be assigned to 2021.

The 10-day rule also applies to earnings.

Special case: Low-value assets (geringwertige Wirtschaftsgüter)

Low-value assets are depreciable and movable things that can be used by themselves. Low-value assets that cost less than €800 can be deducted in the year they were bought. If they are more expensive, the costs have to be spread out over multiple years (see the next paragraph).

Special case: Durable assets (langlebige Wirtschaftsgüter)

Durable assets are things that can be used for at least a year. In other words, these things are not used up in the financial year in which they are bought. They can also be used the next year or for even longer (for example, a laptop or printer).

If a Verein has taxable earnings exceeding €45,000 per year, it is obliged to deduct these durable assets over multiple years (Abschreibung). If its earnings are lower, then it is not obliged to do so.



Vereine that have the obligation of deducting these assets over multiple years have two options for doing so. Every year it is possible to change which option will be used.

Option 1:

Things that cost €800 or more have to be deducted over multiple years. This means that the costs are spread out in the EÜR over multiple years. The amount of years for different things are fixed and can be found in the so-called AfA tables (AfA = Abschreibungstabelle für allgemein verwendbare Anlagegüter/multi-year deduction tables for general-use assets):

https://www.bundesfinanzministerium.de/Web/DE/Themen/Steuern/Steuerverwaltung-Steuerrecht/Betriebspruefung/AfA_Tabellen/afa_tabellen.html

Some examples:

- Computer, printer, laptops: 3 years
- Photocopier, speaker: 7 years
- Refrigerator: 10 years

Option 2:

All durable assets with a price under €250 can be deducted immediately in the year of payment, but only if they can be used by themselves.

Assets that cost between €250 and €1000 and that were bought in the same financial year can be deducted collectively (Poolabschreibung). In this case, they must be deducted over 5 years in 5 equal amounts.

- An example: In 2020 a laptop for €300 and a projector for €200 were bought. If they are both deducted together (in total €500) than the €500 are divided equally between 5 years, i.e. €100 per year from 2022 to 2024.

For assets over €1000, the periods established in the AfA tables apply.

Loans to the Verein (Darlehen)

Loans are resources that are given to the Verein and that must be given or paid back in full at a later date. For example, a member of the Verein makes a loan of €350 to the Verein in order to purchase a laptop for the Verein. One year later the member is paid back in full.

Loans are not included in the EÜR. However, loans must be included in the inventory (Bestandsverzeichnis). Reminder: The inventory includes all assets of the Verein. Assets can be objects, money or other things.

Transfer of resources (Mittelweitergabe)

This means that the Verein receives a resource for the purpose of it being transferred directly to other people or organizations. In other words, the Verein does not use it but merely passes it on. These cases are not included in the EÜR.



4. Payment Documentation – The Most Important Facts

Payment documentation can refer to **invoices** or **any type of receipt** whether printed or handwritten.

Every payment must be **documented**. This also applies to money transfers and cash payments. (Exception: recurring payments such as regular membership fees and rent payments.)

A receipt or invoice should always contain the following information

- **Who** paid?
- **Who** receive the payment?
- **How much** was paid?
- **When** did the payment take place?
- **What** was paid for?

All receipts and invoices can be stored **digitally** (e.g. scans). It is also possible to keep all physical payment documents **in a folder**. The important thing is that **all receipts and invoices are kept together in the same form**. In other words, you should avoid having some of them only digitally and some only on paper.

You should always keep **originals**.

- In the case of digital invoices the original is the digital file. You should therefore always store the file. A printed version on paper is not enough.
- If the original is a printed receipt, you are allowed to store it only as a digital scan. If you have a scan, you can throw away the printed version.

The two types of invoices are incoming invoices (**Eingangsrechnungen**) and outgoing invoices (**Ausgangsrechnungen**):

- **Eingangsrechnungen**: Incoming invoices are ones that the Verein receives from others and pays to them (expenditures of the Verein).
- **Ausgangsrechnungen**: Outgoing invoices are those that the Verein creates and sends to others to be paid (earnings of the Verein).

Any payment documentation should contain an **appropriate description** of the reason for which the earning or expenditure was made.

If the payment is made for a **service** (e.g. a workshop or repairs), then the invoice or receipt must state **when** the service was carried out.

Each payment document must have a **date**.

All payment documents must be assigned to a **financial year**.

All payment documents should receive a **unique identification number**. For paper documents, this number can be handwritten onto the document and then included in the EÜR table. For example: 2021-01, 2021-02, etc.

These numbers should be **continuous**, i.e. there should be **no gaps** between the numbers.

For related earnings it is possible to create a **collective receipt**. For example, if you sell 50 pieces of cake at €1 euro each, you can create a collective receipt for €50 for all pieces.

All receipts or invoices over €250 must include the full name and address of both parties, the Verein and the other business, store or person.

- In stores you can ask the salesperson to write this down on the receipt or to create an additional receipt with this information.



Many receipts and train tickets are printed on **thermal paper**. After a certain amount of time these receipts become unreadable. You should therefore make a scan or copy of these receipts as soon as possible. You can stick the original next to the copy or on the reverse side.

Sometimes only **part of a larger purchase** is meant for the Verein. In this case you can cross out the items that were not expenditures of the Verein and write the new total on or next to the original. Important: The crossed out items must still be readable (so only cross them out with a thin line).

There is an **obligation to store** receipts and invoices. They must be stored for 10 years.

In the case of **payments with a sales tax (Umsatzsteuer)** (see 6.), there are additional rules:

- The receipt or invoice must contain the tax identification number (Steuernummer) or VAT number (Umsatzsteueridentifikationsnummer) of whoever is receiving the payment.
- It is necessary to state the type, percentage and amount of taxes charged.
- Or, if applicable, it is necessary to state that there is a tax exemption. For example due to the “small business rule” (Kleinunternehmerregelung) according to §19 Umsatzsteuergesetz (VAT law). More information on this in point 6.

5. The Four Areas of Activity of Vereine

The activities of Vereine are divided into four categories:

Idealistic area (ideeller Bereich)	Asset management (Vermögensverwaltung)	Commercial activities for a specified purpose (Zweckbetrieb)	Taxable commercial activities (steuerpflichtiger wirtschaftlicher Geschäftsbereich)
			= commercial activities (wirtschaftlicher Geschäftsbetrieb)

All earnings and expenditures must be classified into one of these four categories in a Verein’s accounting. This classification is important because expenditures and earnings are subject to different tax rules depending on the area. In other words, in some areas you do not have to pay taxes and in others you do. Whether or not you pay taxes depends on certain rules which we will explain briefly.

Note: There are many specific cases and rules and it is not possible to explain or foresee every single one in this handbook. Only the most important aspects are explained. We recommend seeking advice in case of doubt.



1. The idealistic area (ideeller Bereich)

This is the core area of Verein activities. Activities in this area are not subject to the payment of Körperschaftsteuer (corporate tax), Gewerbesteuer (trade tax) or Umsatzsteuer (value added tax, VAT).

Examples:

- Earnings
 - Normal membership fees of the Verein's members
 - Admission fees for new members
 - Donations
 - Inheritances
 - Non-taxable grants for activities in accordance with the Satzung (for example certain public funds)
- Expenditures
 - Beverages for the members' meetings
 - Reimbursement of costs or expenditures
 - Costs of events without entrance fees or earnings
 - Rent for spaces used by the Verein
 - Equipment and materials for Verein work
 - General administration fees for the Verein's bank account
 - Third-party insurance

Taxes:

- These payments are not subject to Körperschaftsteuer, Gewerbesteuer or Umsatzsteuer.

2. Asset management (Vermögensverwaltung)

This area is not related to the achievement of the aims in the Satzung. These are earnings that are made from the Verein's financial or tangible assets.

Examples:

- Earnings
 - Interest and capital gains that the Verein earns on its assets
 - Income from the leasing of real estate that belongs to the Verein
 - Income from renting out property of the Verein, when it is rented out for at least 6 months and a contract has been signed
- Expenditures
 - Renovation costs
 - Current account fees

Taxes:

- These payments are not subject to Körperschaftsteuer or Gewerbesteuer.
- If the Verein is umsatzsteuerpflichtig (obliged to pay VAT), then it must pay an Umsatzsteuer of 7%. For more information see 6. "Types of Taxes > Umsatzsteuer"



3. Commercial activities for a specified purpose (Zweckbetrieb)

(Part of the commercial activities area)

These are all the activities that do not belong to the idealistic area of the Verein but still serve to accomplish the aims of the Satzung. Earnings and expenditures in this area must directly serve the fulfillment of the aims in the Satzung.

Examples:

- Earnings
 - Entrance or participation fees from Verein events, when those events fulfill the aims of the Satzung
- Expenditures
 - Catering for participants (only for educational events!), when the event fulfills the aims of the Satzung
 - Professional fees for events with entrance fees
 - Other costs for events carried out in accordance with the Satzung

Taxes:

- These earnings are not subject to Körperschaftssteuer or Gewerbesteuer.
- If the Verein is umsatzsteuerpflichtig (obliged to pay VAT), then it must pay an Umsatzsteuer of 7% or in some cases 19%. For more information see 6. "Types of Taxes > Umsatzsteuer".

4. Taxable commercial activities (steuerpflichtiger wirtschaftlicher Geschäftsbereich)

(Part of the commercial activities area)

All other economic activities of the Verein belong in this area.

Examples:

- Earnings
 - Short-term leasing of spaces or property (e.g. a projector) of the Verein
 - Earnings from the sale of beverages at events
 - Earnings from parties, bazaars or flea markets
 - Earnings from advertising
 - Sponsorships
- Expenditures
 - Personnel costs
 - Purchasing of food and beverages
 - Dishes and silverware
 - Costs associated with premises
 - Expenditures for parties
 - GEMA and GEZ fees
 - Advertising costs

Taxes:

- Payment of Körperschaftssteuer and Gewerbesteuer, when yearly earnings are higher than €45,000.



- In the case of Körperschaftssteuer and Gewerbesteuer there is an exempt amount of €5000 per year for profits. In other words, if profits do not exceed €5000, no Körperschaftssteuer or Gewerbesteuer must be paid.
- 19% Umsatzsteuer must be paid.

6. Types of Taxes

Körperschaftssteuer (KSt): This is a corporate tax that Kapitalgesellschaften (corporations), Genossenschaften (cooperatives) or Vereine have to pay under certain conditions (see “Taxable Business Activities”). Gemeinnützige Vereine are generally exempt from paying this tax.

Gewerbesteuer (GewSt): This is a trade tax that the Verein has to pay if the profits from its taxable business activities exceed €45,000 in a financial year. The level of the Gewerbesteuer is determined by the corresponding city or municipality.

Umsatzsteuer (USt): This value added tax (VAT) is subject to the same rules that apply to private individuals. This refers to the so-called Kleinunternehmerregelung (small business rule) as established by §19 Umsatzsteuergesetz (VAT law). This rule establishes that earnings from business activities are not subject to Umsatzsteuer if earnings in the preceding year did not exceed €22,000 and are not expected to exceed €50,000 in the current year. Activities from the idealistic area and earnings that are free from Umsatzsteuer are not included in these amounts.

7. The Verein's Profits

Vereine are allowed to make a profit (Gewinn). However, this profit must be used for the purposes of the Verein within a relatively short time frame.

Reminder: For profits there is an exempt amount of €5000 per year. If profits exceed €5000, the first €5000 are subtracted and taxes are only paid for the remaining amount.

8. Donations

A donation (Spende) is a contribution without a significant equivalent, i.e. something that is received in return.

A typical example: Selling items for a "voluntary contribution" is not a form of donation, because something is received in return. These are therefore considered earnings from commercial activities.

Donations can consist of money or things.

A gemeinnütziger Verein is allowed to receive donations. In addition, gemeinnützige Vereine are allowed to (and should) give donors a receipt for each donation. These donation receipts are important for proving the donations to the Finanzamt. There are templates for donation receipts on the Internet that you can use.

Gemeinnützige Vereine are also allowed to make donations. However, these donations may only be made to other organizations that are also gemeinnützig. Gemeinnützige Vereine are not allowed to make donations to organizations that are not gemeinnützig.



10. Tax Declaration (Steuererklärung)

Gemeinnützige Vereine have to submit a tax declaration to their corresponding Finanzamt every 3 years. This is how the Verein proves its Gemeinnützigkeit. Which Finanzamt is responsible for your Verein will depend on the Verein's address or the place where most of its activities are carried out.

Recently founded gemeinnützige Vereine have to submit a tax declaration at the earliest one year after being founded. Normally the Finanzamt will contact the Verein and request the tax declaration.

If the Verein has yearly taxable earnings of more than €45,000 then it must submit a tax declaration every year.

It is necessary to submit a report of activities together with the tax declaration. That is why it is so important for the Verein to always properly document all of its activities.

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