



## How to Register Your Company in Germany

Why start a business in Germany? The country offers many economic and personnel-related advantages. Its centralized location, huge economy, and high quality of life provide numerous business benefits, including a large population of potential customers, a global-business-friendly time zone, a high GDP per capita — [47,446 U.S. dollars](#) as of 2019 — and a skilled and educated workforce. If your company can take advantage of these benefits, you will find excellent growth and profit opportunities in Germany.

If you're considering expanding your business to Germany, one of the first steps is to register formally. Registering a company in Germany can be convoluted and time consuming, so do your research before you start the process.

### **How to expand a company to Germany**

When your company is ready to expand, you have two basic options: set up a subsidiary or work with an Employer of Record (EOR). Partnering with an EOR often makes the process simpler and easier, though companies that are already familiar with subsidiaries may choose this traditional option.

To get started with a traditional subsidiary-based expansion, your company needs to gather essential information about topics like the cost of living, taxes, and the social security

contributions you need to make in Germany. You should also research what you need for hiring, including the following:

- Contract requirements
- Labor laws
- Typical wages
- Paid time off policies
- Benefits
- Termination restrictions
- Collective Bargaining Agreement (CBA) requirements

Payroll in Germany can be particularly complex — your company cannot merely deposit funds into your new employees' bank accounts. You should research taxes and withholdings for various social security programs, and you'll need to ensure you pay these sums on time to maintain your company's [legal compliance](#).

Before you complete all these tasks, though, you need to incorporate your business and consider the cost of registering a company in Germany. These steps are essential for your subsidiary to operate legally in the country.

## **What are the requirements of business formation in Germany?**

Foreign company registration in Germany can be a complex and time-consuming process. Here are some of the steps your company will need to complete:

### **1. A corporate structure**





## A corporate structure

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Your business has a few options for how it will incorporate in Germany.

- Open trading company
- Limited partnership
- Small stock company
- Private limited liability company
- Entrepreneurial limited liability company

When it comes to how to [set up a company](#) in Germany, your business has a few options for how it can incorporate:

**Open trading company:** Incorporating as an open trading company, or Offene Handelsgesellschaft (OHG), is often an appealing option for wholesale merchants. As an open trading company, your business would need a formal partnership agreement and a registration in the commercial register. You would not need to contribute minimum capital, so shareholders would not become liable with their private assets for debts or bankruptcy.

**Limited partnership:** A limited partnership, known in Germany as a Kommanditgesellschaft (KG), requires capital. Like an open trading company, it requires a formal partnership agreement and a registration in the German commercial register. The contract between the partners determines the distribution of profits and losses, and the founder must submit a report of those profits and losses to the local tax office every year. If the company goes bankrupt or incurs debts, the owners become liable with their private assets, but the limited partners' liability extends only to their investment.

**Small stock company:** Incorporating as a small stock company, or Aktiengesellschaft (AG), is possible, but rarer in Germany. This structure is more complex to set up than the alternatives, though it requires only one shareholder. To incorporate as a small stock company, a business must have dedicated founders who can contribute high amounts of capital, usually at least 50,000 euros, and then take over all shares in the company. The business must also form a supervisory board, procure notary certification, and obtain registration in the commercial register.

**Private limited liability company:** The German version of a limited liability company is the Gesellschaft mit beschränkter Haftung (GmbH). This type of company is likely to be most familiar to American, British, Swiss, and Austrian companies, though businesses from other countries may use it as well. Unlike the other options in this list, a GmbH registration in Germany is financially separate from the people who operate it, and any profits go directly to the company after it pays the necessary taxes. Forming this type of company does require an investment of 25,000 euros in share capital, half of which the founders must put down before

registration.

Entrepreneurial limited liability company: This type of company, known in Germany as an *Unternehmergeellschaft (UG)*, is a particular type of GmbH that requires only 1 euro of share capital. It is ideal for founders who do not wish to contribute much capital upfront.

## **2. A unique company name**

Be sure not to use any preexisting German company names for your new branch. Check the German commercial trade register, or *Handelsregister*, to ensure your proposed company name is not already in use.

If it is in use, you will need to change it before you can file official paperwork.

## **3. A clear company objective**

German law requires you to state an official objective, or *Unternehmensgegenstand*, for your company when you register. This objective should include your company's purpose and the activities you will engage in. The objective is legally binding, so you will want to consider your company's goals and activities carefully before finalizing an official statement. You should include your company's objective in your articles of association as well.

Germany's Chamber of Commerce and Industry will usually check your company name and objective for free. It's worth taking advantage of this service to gain confidence in your proposals.

## **4. Articles of association and a list of shareholders**

Your company needs to draft official articles of association before you can formally register. You can use a standard template for putting these articles together, crafting your registration statement, and defining company statutes. Or, you can write your articles of association from

scratch, if you prefer.

You also need to compile a list of the shareholders in your company branch. You will file this list formally during registration, so be sure it is complete and accurate.


If your shareholders and directors are not German or European Union (EU) citizens, they will require extensive documentation. A local notary will need to confirm your company's existence and proper representation, and state authorities must sign on as well. If your directors are not naturalized citizens of Germany, they may need to provide proof of permanent residence or a multi-entry visa.

Because these requirements are legally complicated, your company may wish to engage the services of a knowledgeable EOR instead. An EOR will already have a business presence in Germany, so you can avoid the complex German business requirements and start hiring right away.

## **5. Insurance**

Your company will likely need to purchase insurance, and for extra peace of mind, you'll probably want to obtain additional insurance beyond what is mandatory. You may need business insurance, personnel insurance, building and contents insurance, public liability insurance, or other coverage types.





Your company will likely **need to purchase insurance** to protect itself in Germany.

## How to register your company in Germany

Since the company registration process in Germany is complex, it is important to follow these steps:

### 1. Go to a notary to incorporate your branch.

The first step is to gather your shareholders and proceed to a notary's office. Be sure to bring identification and the necessary documents, like your articles of association, shareholders list, and company objective.

If your company can work with a notary to pay your fees, you may be able to save time. Being responsible for the fees yourself will cause a delay — you will have to wait to receive an invoice in the mail, and you will not receive your license until you have paid it. However, the notary you work with may be able to vouch for the payment, especially if you deposit the funds in cash at the notary's office.

## **2. Set up a German bank account.**

Your company requires a German bank account for its business, payroll, and tax-related transactions within the country. Having a German bank account allows you to declare your business formally and begin paying taxes.

If your company already has a European bank account in another country, you may be able to use that account for business operations in Germany. The account needs to support Single Euro Payments Area (SEPA) transfers if you choose this arrangement.

Be aware that many German banks do not provide services to company founders who are not German or EU nationals. Your company may wish to adjust its founders list accordingly or engage with outside partners who can render assistance.

As soon as you have a bank account, you can deposit your share capital, or Stammkapital, into the account in cash or via wire transfer. You'll then need to send a copy of the deposit slip to the notary as confirmation and pay your notary invoice.

## **3. Engage the services of qualified tax advisors.**

Working with qualified tax advisors is beneficial because they can help you navigate tricky local tax nuances, and the partnership offers additional benefits during your company's registration process. Your tax advisors may be able to do some of the registration work for you, saving you time and mental labor. Good tax advisors can also be instrumental in helping you complete the necessary tax office questionnaire, or Fragebogen zur steuerlichen Erfassung.

You may want to grant your tax advisors power of attorney so they can make tax-related decisions on your company's behalf.

## **4. Submit your trade registration and obtain a trade license.**

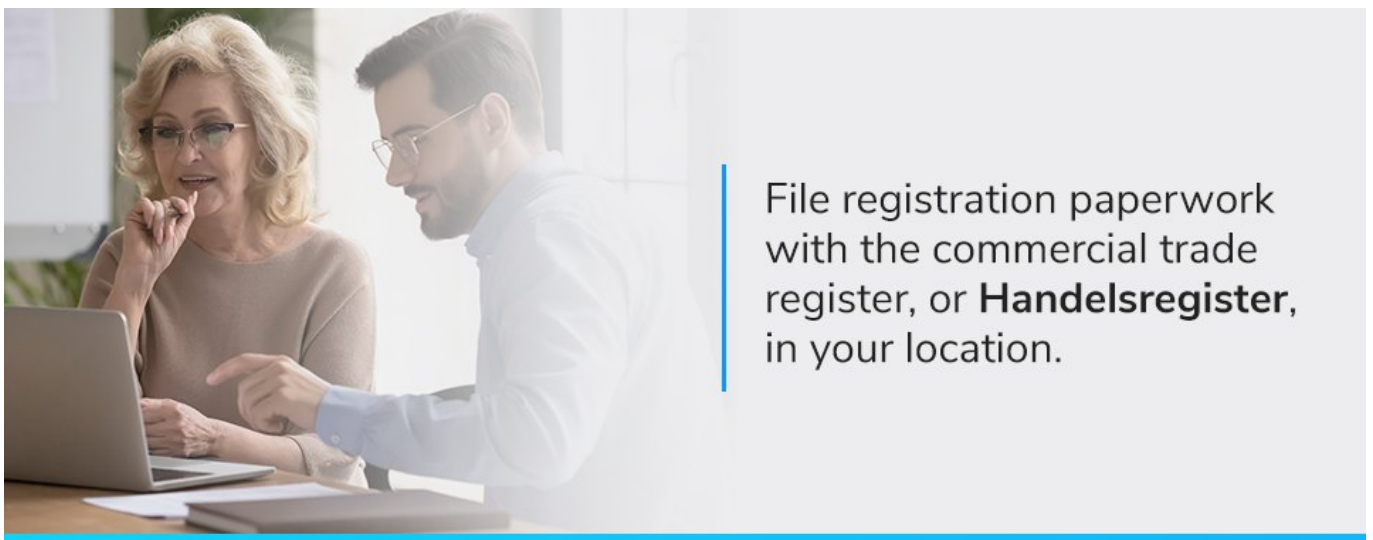
The next step is to submit your trade registration to your local trade office, the Gewerbeamt, and receive the license known in Germany as a Gewerbeschein. This trade license allows your company to start operating in the country.

Your company can likely apply for this trade license online, or you can go to the public order enforcement office, the Ordnungsamt.

### **5. Register your company with the trade register.**

The next step in German company registration is to file registration paperwork with the commercial trade register, or Handelsregister, in your location. Doing so will establish your company legally and protect your company's name.

To register with the Handelsregister, your business must provide a notarized company contract. You will also likely have to pay a fee of a few hundred euros.



### **6. Register your company with the tax office.**

Once you have obtained the requisite accounts and licenses and filed some necessary preliminary paperwork, you can register your company in Germany. To do so, you need to go

to the tax office, the Finanzamt, to fill out the official registration paperwork, or you may submit the completed paperwork by mail. You may also need to show the receipt from the trade register.

The registration paperwork, known officially as the Fragebogen zur steuerlichen Erfassung, is lengthy and complex. To save time and ensure accuracy, many companies request help from their tax partners at this stage, if not before.

## **7. Register with local trade bodies.**

Once your company is formally registered in Germany, you may want to register with local governing bodies as well. Research the relevant organizations in your area, including the local Chamber of Industry and Commerce or Chamber of Skilled Crafts.

You will also want to register with the professional organization, known in Germany as the Berufsgenossenschaft, that covers your company's industry.

## **8. Obtain your tax ID numbers.**

Once you register, your company will receive a tax ID number from the Finanzamt. This number, known as a Steueridentifikationsnummer, is the tax number you will use for many of your local tax transactions.

Once you have your tax ID number, you may also need to apply with the Federal Tax office to obtain the [value-added tax \(VAT\) ID number](#), or USt-IdNr, which you will use for your value-added taxes. You will not receive a VAT ID number if your business is small enough that it does not pay a VAT.

## **Make international expansion easy with Globalization Partners**

When you're ready to build international teams in Germany, expedite and streamline the

process by working with Globalization Partners.

Registering a company in Germany is a lengthy, complex process. A more appealing option is to partner with a reputable EOR. An EOR can provide valuable services for your company, including acting as the legal employer for your employees. Using an EOR means you avoid the complicated process of registering a company and never have to worry about tax laws or complying with unfamiliar regulations.

As a global EOR with extensive experience with the nuances of Germany's laws and tax codes, Globalization Partners is exceptionally well positioned to help your company expand into Germany. Once you hire new employees, our [comprehensive solution](#) also takes care of managing everything from payroll to benefits, so you can focus on the bigger picture of putting together your team and optimizing your primary business processes.

[Request a proposal](#) online, [contact us](#) to discuss expanding your company into Germany, or [download our free eBook](#) to learn more about how your company can best position itself for success.