

Foundation of a Company in Germany

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Germany is one of the most attractive countries in Europe for foreign investments. Its central location, easy access to other EU markets and its good infrastructure and highly qualified workforce recommend it for investments in several business fields. A dynamic business location with convincing location factors – North Rhine-Westphalia (NRW) offers all this and more. It is the most populous and most densely populated of the 16 German federal states. With its location factors, NRW is the most important economic region in Germany and has for years been one of the most popular investment locations for foreign companies in Europe.

1. Types of companies in Germany

The table below highlights the characteristics of the main business entity types in Germany:

Type of Company	Main Traits
German GmbH	GmbH-Private Limited Liability Company can be founded in Germany by at least one investor with a minimum share capital of EUR 25,000. A special feature of the GmbH is that shareholders cannot be held liable with their private assets. The shareholders' meeting is the one that ensures the management of the GMBH. The daily business decisions are made by the managing director of the company, who is appointed by the shareholders' meeting.
AG-German Joint Stock Company	It is suitable for large companies. The German AG requires a share capital of at least EUR 50,000. The members are liable only up to the amount they have paid in on the capital. Management is ensured by the executive board, which is periodically controlled by a supervisory board consisting of at least three members.
Sole Trader	Incorporated by a single individual with his personal assets and no protection from liability in the event of the company's bankruptcy.
Branch	A branch is not a separate legal entity from the main branch. It is legally a part of the main branch. The rights and obligations of the branch are borne solely by the main branch. However, the branch acts independently in business transactions.

2. Formation of a GmbH

As a corporation, the GmbH is very popular with founders and start-ups in Germany. Once you have decided on GmbH for your start-up, it's time for the practical steps. A notary is required for the formation. The notary has to notarize the articles of association and then submits them to the commercial register. In detail, there are the following steps:

- First we can assist you to draw up an articles of association (Name of the GmbH, registered office, business purpose, shareholders, managing directors must be specified). The shareholder is not only a natural person, but can also be a foreign legal entity, such as in the Netherlands or China. In this case we have to legalize the extract from the register of the foreign legal entity, so that it can be proved that the foreign company still exists and who can represent this company.
- Then we arrange an appointment for you with the notary. At this appointment, the notary reads the articles of association to the shareholders and managing directors present. The partners sign the articles of association and the notary certifies the agreement. The notary also draws up a list of shareholders and other formalities. It is not necessary for the shareholders and managing directors to be present at the notarization. They can authorize us. The power of attorney must also be legalized.
- After the notary appointment we will arrange an appointment with bank to open a business account for the GmbH. If the shareholder is a legal entity, we can contact Bank of China Dusseldorf directly. Otherwise, we will recommend a cooperated intermediary.
- Once the share capital has been paid in, the notary registers the GmbH formation with the Commercial Register. This is done at the competent district court. The competent district court usually needs a few days for processing and then sends a confirmation of the registration.

3. Costs of establishing a GmbH in Germany

The initial formation costs are mainly dependent on the amount of share capital:

- **Formation Fee:** Our service fee for opening a GmbH in Germany is less than EUR 3,000. We can support you to apply for a Welcome Package NRW in the amount of EUR 3,000.
- **Cost of an office space:** Office space packages by several services providers start at appr. EUR 200 per month
- **Registration Fee:** The usual registration fee for a GmbH in Germany is about EUR 200 and others, such as notary fees (depending on the amount of share capital), will apply.

Foreign investors interested in opening a business in Germany can contact our international team of local consultants who can successfully assist them with company registration and further tax advice.



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