Market Entry Information

Set up of a German Company
A Brief Introduction to Legal Forms and the Company Set up Process
Entering the German Market by Direct Investment: Forms

**Joint-Venture**
- Setting up a cooperative enterprise
- Under German Law it has to be set up by at least two individual enterprises („Tochtergesellschaften“)

**Mergers & Acquisitions**
- A merger is a combination of two companies, i.e. one corporation is completely absorbed by another corporation or a new corporation is formed.
- An acquisition is the takeover of one company by another.

**Subsidiary**
- Sales/Representative Office (no special legal form under German law but equivalent to a Dependent Branch)
- Dependent Branch
- Autonomous Branch

Legal Company Forms: Overview

For the establishment of a company foreign investors can choose between different legal forms. In general, there are three types of companies:

**Individual Enterprise**
- Company established by an individual person.
- No minimum capital required.
- Full and personal liability of the company owner.

**Partnership**
- Any partnership requires at least two partners.
- The partners’ liability for the partnership’s debts and liabilities is generally unlimited and personal.
- No minimum share capital is required.
- Forms: GbR, OHG, KG, PartnerG

**Corporation**
- Legal entity.
- Holder of rights and obligations is the company itself.
- Liability is limited to the corporation’s business assets.
- A minimum share capital is required.
- Forms: UG, GmbH, AG, KGaA
Most popular legal form: The GmbH (Private Limited)

Characteristics

- **Limited Liability** of the shareholders.
- Independent legal entity.
- GmbH can **conclude contracts and hold shares** of other companies.
- GmbH can **accumulate hidden reserves**; profit has not to be distributed.
- **Shareholder can be exchanged** or added fast and uncomplicated.
- **High flexibility** in arrangement of the articles of association.
- **Sale and transfer of shares** is beside notarization unrestrictedly possible.
- External **hired managing director** possible.

Legal Requirements

- Notarization of the Founding and **Registration at Commercial Register**.
- Notarization of amendments of the articles of association.
- Notarization of the **sale and transfer** of shares.
- Nominal capital of the GmbH amounts **at least 25,000 EUR**.
- Half of the amount (12,500 EUR) has to be **paid in founding**.
- **Liability of the shareholder and the managing directors** regarding the corporate property.
- **Mandatory accounting** and disclosure obligation.
- Insolvency in case of **excessive indebtedness** (Corporate property does not cover the companies liabilities).

The GmbH: Establishment Process

**Average costs** for the establishment of a GmbH: EUR 600 to 1,000 excluding fees for legal advice.

**Average duration** of the founding process: 4 weeks.
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