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Any entrepreneur who wishes to start a business in Germany may do so: there are generally no restrictions limiting the establishment of new companies. Nevertheless, establishing a business in Germany requires a sequence of several specific steps from choosing the appropriate legal form for the business to entry in the trade register. We'll help you every step of the way.

The Legal Form

Foreign investors can choose between a variety of legal forms for conducting business in Germany. There is no specific investment legislation in Germany, nor is a minimum percentage of German shareholdings required for foreign entrepreneurs.

Decisive criteria for the choice of legal form are generally the intended function of the shareholders, liability and terms of taxation. Expanding companies often choose to establish a local subsidiary or to register a local branch office. Especially the subsidiary's degree of independence is a major argument for this option. Foreign companies can choose the most suitable legal company form as a corporation or partnership. Either way, the establishment procedure is straightforward with well-defined steps.

Corporations

Corporation Forms: Quick Facts

Legal/Establishment Form	Minimum Number of Partners	Minimum Share Capital	Legal Liability	Establishing Fomalities
Limited Liability Company (GmbH)	One partner	EUR 25,000	Liability limited to share capital	Moderate
Limited Liability Entrepreneurial Company ("Mini GmbH")	One partner	EUR 1.00	Liability limited to share capital	Low-moderate
Stock Corporation (AG)	One partner	EUR 50,000	Liability limited to share capital	Moderate-high
Partnership Limited by Share (KGaA)	Two partners: general partner and limited shareholder	EUR 50,000	General partner: personal unlimited liability Limited shareholder: limited share liability	Moderate-high

When choosing the legal form of the company, a corporation is usually the best option for larger, established companies. There are four major forms of corporations under German law:

- Limited Liability Company (*GmbH*)
- "Mini GmbH" (Limited Liability Entrepreneurial Company)
- Stock Corporation (*AG*)
- Partnership Limited by Shares (*KGaA*)

MAIN CHARACTERISTICS

A corporation is a legal entity, meaning that the holder of rights and obligations is not the individual shareholder, but the company itself. The corporation itself concludes contracts, holds assets and is liable for taxation.

Liability is limited to the corporation's business assets, including share capital. A minimum share capital is required, and the accounting obligations are more extensive than those for other business legal forms (such as partnerships).

ESTABLISHMENT OF A CORPORATION

A corporation can be established by any number of different partners. Compensating the limited personal liability of the shareholder(s), corporations require a minimum share capital. It can be contributed in cash or in kind (e.g. real estate or patents). The establishment must be specified in the articles of association and certified by a notary. Additional establishment steps are necessary for certain forms of corporations.

The establishment procedure ends with registration in the commercial register (*Handelsregister*). Only at this point in time does the corporation's limitation of liability become effective. The application for the registration of the company in the commercial register has to be signed by the managing director(s) personally before a notary, who certifies and files it with the responsible commercial register in electronic form. Prior to the corporation starting business, the trade office (*Gewerbe- oder Ordnungsamt*) must be notified of the business activity in question.

TAXATION OF CORPORATIONS

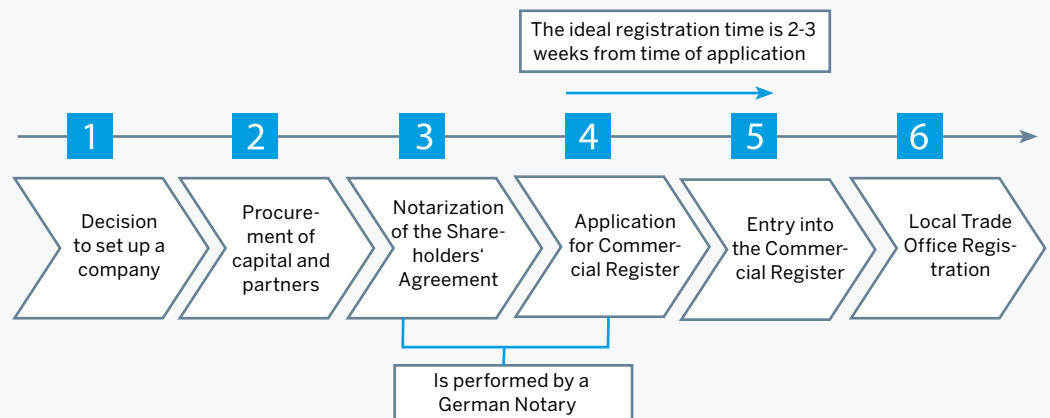
Corporations are liable to corporate income tax, trade tax and solidarity surcharge. The average tax burden is less than 30 percent. In some regions, due to a locally variable rate of trade tax, it is under 23 percent.

Limited Liability Company (GmbH)

The German limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) is the most widely used legal form for corporations. It combines high flexibility with relatively few obligations. A GmbH is liable to corporate income tax, solidarity surcharge and trade tax.

Setting up a GmbH is easy and uncomplicated and can be accomplished in just a few steps.

STEPS NEEDED TO SET UP A GMBH IN SEQUENCE



SHARE CAPITAL

The minimum share capital required to establish a GmbH is EUR 25,000 (this can also be made up of contributions in kind). At the time of registration, at least half of the minimum capital (i.e. EUR 12,500) must be actually and verifiably contributed on a bank account.

FORMATION PROCEDURE

The formation procedure of a GmbH is fairly uncomplicated, as it is established by the founding shareholder(s) executing a deed of formation and articles of association in the presence of a notary.

For uncomplicated standardized formations of a GmbH model articles of association (for set-ups by cash subscription with a maximum of three shareholders and one managing director) are provided. These articles must still be notarized, but for a reduced fee.

In addition, sample deeds are also provided by the chambers of industry and commerce (*Industrie- und Handelskammer, IHK*).

Ideally, the time period required for the formation of a GmbH is two to three weeks. The estimated total costs for the formation of a standard GmbH are approximately EUR 750 to EUR 1,000 plus fees for legal counsel if a lawyer is employed to draw up the articles of association. The German Bar Association provides a register of German lawyers.

German Bar Association (*Deutscher Anwaltverein*)
<http://anwaltverein.de>

MANAGEMENT

A GmbH is managed and legally represented by its managing directors. There must be at least one managing director (who does not have to be a shareholder or a German resident). By issuing binding instructions or directions to the managing directors, the shareholders may exercise direct influence on the management of the GmbH.

REGISTRATION

In order to be valid, the GmbH must be entered into the commercial register (*Handelsregister*). All managing directors (*Geschäftsführer*) must sign the commercial register application in person in the presence of a notary.

Once registered in the commercial register, the GmbH becomes a legal entity. The GmbH must then be registered at the local trade office (*Gewerbe- oder Ordnungsamt*).



“Mini GmbH” (Limited Liability Entrepreneurial Company)

The Mini GmbH (*Unternehmergesellschaft UG, haftungsbeschränkt*) is not a separate legal form of company, but a GmbH which has a minimum capital of less than EUR 25,000 and where cash subscription is required. This means that it is possible to set up a company with limited liability in Germany with capital of only EUR 1.00.

In order to compensate the initial absence of capital the company has to retain a quarter of its annual profit until it has accumulated the minimum shareholder capital of an ordinary GmbH (which is EUR 25,000). The accumulated capital can then be converted into share capital and the Mini GmbH altered into a standard GmbH.

For uncomplicated standardized formation of a Mini GmbH model articles are provided. These articles must still be notarized, but for a reduced fee. Thus, establishment costs for a Mini GmbH are reduced to a total of around EUR 300.

Except for the abovementioned specific provisions the Mini GmbH - by terms of law - is generally subject to the same duties and rights as the standard GmbH.

Stock Corporation (AG)

A stock corporation (*Aktiengesellschaft, AG*) generally enjoys a high market reputation among business partners. However, the founding formalities and costs of an AG are relatively high, and the AG is subject to extensive organizational obligations in day-to-day business. The AG is liable to corporate income tax, solidarity surcharge and trade tax.

FORMATION REQUIREMENTS

In principle, an AG can be established by any individual. Generally speaking, there are only two founding obligations to be observed. First, an AG must have a minimum share capital of EUR 50,000 (which must be fully subscribed by the founding shareholders) and articles of association need to be certified by a notary. Legal consultation is advisable for drawing up the articles of association. The German Bar Association (*Deutscher Anwaltverein e.V.*) provides a register of German lawyers.

German Bar Association (*Deutscher Anwaltverein*)
<http://anwaltverein.de>

APPOINTING THE MANAGEMENT

The founding shareholders appoint the first auditor (*Abschlussprüfer*) and supervisory board (*Aufsichtsrat*), which in turn appoints the first management board (*Vorstand*). The appointment of the first auditor and supervisory board must be notarized.

The founding shareholders must also prepare a formation report with the relevant details of the establishment of the AG. This report has to be scrutinized by the boards.

The AG is managed by its management board. Neither supervisory board nor shareholders can exercise direct influence on the management board.

REGISTRATION

The AG comes into existence upon registration in the commercial register (*Handelsregister*). The application must be signed by the founding shareholders, the members of the supervisory board, and the management board before a notary. In addition, an AG must be registered with the local trade office (*Gewerbe- oder Ordnungsamt*).

Partnership Limited by Shares (KGaA)

The partnership limited by shares (*Kommanditgesellschaft auf Aktien, KGaA*) combines the structures of a stock corporation (*AG*) and a limited partnership (*Kommanditgesellschaft*). It connects the entrepreneurial commitment and personal standing of the individually liable shareholders (general partners) with the function of the AG as a public company and source of capital. The KGaA can be described as a stock corporation having individually liable shareholders (general partners) instead of a management board.

The KGaA is not a frequently used legal form in Germany. It is liable to corporate income tax, solidarity surcharge and trade tax.

LIABILITY OF PARTNERS

The KGaA can have an unlimited number of capital investors (limited shareholders), whose liability is limited once they have paid their subscribed capital contribution. The minimum share capital of a KGaA is (in total) EUR 50,000. The limited shareholders have more or less the same legal rights as shareholders in an AG. At least one partner of the KGaA, the general partner, has to be liable for debts and liabilities of the KGaA without limitation.

REGISTRATION

The KGaA must be entered into the commercial register and registered with the local trade office.

Partnerships

Partnership Forms: Quick Facts

Legal/Establishment Form	Minimum Number of Partners	Minimum Share Capital	Legal Liability	Establishing Fomalities
Civil Law Partnership (GbR)	Two partners	Not required	Personal unlimited liability	Very low
General Commercial Partnership (oHG)	Two partners	Not required	Personal unlimited liability	Low-moderate
Limited Partnership (KG)	Two partners: general partner and limited partner	Not required	General partner: personal unlimited liability Limited partner: limited share liability	Low-moderate
Corporate Partnership (GmbH & Co. KG)	Two partners: general partner (GmbH) and limited partner (the general partner is typically the limited partner of the KG)	Not required	General partner (GmbH): personal unlimited liability Limited partner: limited share liability	Moderate-high

The main feature of a partnership is the personal commitment of the partners to their working efforts to the partnership. Any partnership requires at least two partners. There are four major forms of partnerships in Germany.

- Civil Partnership (*GbR*)
- General Commercial Partnership (*oHG*)
- Limited Partnership (*KG*)
- Corporate Partnership (*GmbH & Co. KG*)

Their main difference lies in the liability of their partners and required registration obligations.

A partnership company (*Partnergesellschaft or PartG*) is a form of partnership specifically designed for the joint exercising of professional freelance activities, such as architects. This company form is not further explained on the following pages. Please contact us if you have questions concerning the establishment of a partnership company. For contact information please refer to the link on the right.

MAIN CHARACTERISTICS

In contrast to corporations, partnerships are not independent legal entities but associations of people. In partnerships, the individual partners responsible for the liabilities of the company (including private assets) act for the company. Limitations of liability for individual partners are only possible to a limited extent.

No minimum share capital is required, and the accounting obligations and publication requirements are less extensive than those for corporations.

ESTABLISHMENT OF A PARTNERSHIP

Establishing a partnership is easy and can be completed in just a few steps. At least two partners are required to establish a company. A minimum share capital does not have to be raised. The management of the company can only be carried out by partners.

Depending on the type of partnership, entry in the commercial register (*Handelsregister*) is required. The application is signed by all partners and must be filed by a German notary in certified and electronic form with the commercial register. If a business activity is carried out by the partnership, the trade office (*Gewerbe- oder Ordnungsamt*) must accordingly be notified.



TAXATION OF PARTNERSHIPS

The partnership itself is not taxed (as is the case with corporations), but the individual partners. The taxable profit is determined at the level of the company and allocated to the partners according to their shares. The partnership itself is only subject to trade tax.

The average tax burden on companies is less than 30 percent. In some regions of Germany, due to a locally variable rate of trade tax, it is under 23 percent. The tax rate to which a partner of a partnership is subject can be optionally adjusted to the tax rate of corporations.

Civil Partnership (GbR)

A civil law partnership (*Gesellschaft bürgerlichen Rechts, GbR*) is defined as an association of individuals or enterprises united in the achievement of a joint contractual purpose. It is suitable for start-ups launching a business idea in cooperation with others.

Formation of a GbR is fairly uncomplicated. At least two partners must agree on the establishment of the GbR and conclude a partnership agreement. A written partnership agreement is recommended, but is not compulsory. The partners are jointly liable with their private assets for debts incurred by the company. If the GbR conducts trade in the form of a small trade business, it has to register with the local trade office. It must not be entered into the commercial register.

A GbR is only allowed to conduct "small trade business." As soon as it achieves an annual turnover of over EUR 250,000 and a profit over EUR 25,000 it is deemed to be a commercial business and must be entered in the commercial register upon which it automatically becomes a general commercial partnership (*Offene Handelsgesellschaft, oHG*).

General Commercial Partnership (oHG)

The general commercial partnership (*Offene Handelsgesellschaft, oHG*) is the classic partnership form for small and medium-sized enterprises (SMEs). Its structure corresponds to the civil partnership (*GbR*). Every GbR that runs a commercial enterprise (a business enterprise of a type or size requiring business operations to be set up in a commercial manner) automatically qualifies as an oHG. Accounting regulations for an oHG are stricter than those for a GbR.

In order to establish an oHG, two or more partners must conclude a partnership agreement. It is advisable for the partnership agreement to be made in writing. All partners are jointly and severally liable for the oHG's debts and liabilities.

The oHG must be entered in the commercial register and registered with the local trade office. The application to the commercial register must be made by all partners and be certified and filed by a notary. The total expenses for registration vary, but generally a cost of approximately EUR 400 can be expected.

Limited Partnership (KG)

The limited partnership (*Kommanditgesellschaft, KG*) is a legal form related to the oHG, but with the option of limiting the liability of some of the partners. This legal form is suitable for medium-sized enterprises (SMEs) seeking additional start-up capital but wishing to limit individual responsibility.

At least one partner, the general partner (*Komplementär*), is personally liable without limitation. The liability of the limited partners (*Kommanditisten*) is limited to their respective share of the partnership capital. A KG offers greater flexibility compared to other forms of partnerships as the capital base can be increased by including additional limited partners.

A KG is established when a partnership agreement between two or more partners (including at least one limited and one unlimited partner) is concluded. It is advisable for the partnership agreement to be made in writing. The liability of the limited partner will only become limited once the registration of the KG and the subscribed partnership contribution has been entered in the commercial register (which is obligatory).

The application to the commercial register must be made by all partners and be certified and filed by a notary. The total costs for registration vary, but EUR 400 can be used as a general guideline. A KG must then be registered with the local trade office.

Corporate Partnership (GmbH & Co. KG)

The GmbH & Co.KG is a limited partnership (*KG*) in which the general partner (*Komplementär*) is a limited liability company (*GmbH*). The GmbH is fully liable for the GmbH & Co. KG's debts and liabilities. The liability of the limited partners (*Kommanditisten*) is limited to their respective share of the partnership capital.

This hybrid form is suitable for entrepreneurs wishing to limit their liability while enjoying the flexibility of a non-incorporated business. Because of its flexibility, the legal form GmbH & Co. KG is especially appropriate for medium-sized businesses and family companies.

The GmbH & Co.KG is established through conclusion of a partnership agreement between the general partner and the limited partners (advisably in writing). Typically, the shareholders of the general partner (*GmbH*) are identical to the limited partners of the KG.

In line with the registration formalities of the KG, the GmbH & Co KG must be entered in the commercial register and registered with the local trade office. The liability of the limited partner will become limited once the KG and the subscribed partnership contribution are registered in the commercial register.

The application to the commercial register must be made by all partners and be certified and submitted by a notary. The total costs for registration vary, but EUR 400 can be used as a guideline value.

Branch Offices

Branch Offices: Quick Facts

Legal/Establishment Form	Legal Liability	Minimum Capital	Number of Persons Required	Establishing Fomalities
Autonomous Branch Office (<i>Selbständige Zweigniederlassung</i>)	Subject to the head office legal company form	None required	Minimum one person	Moderate
Dependent Branch Office (<i>Unselbständige Zweigniederlassung</i>)	Subject to the head office legal company form	None required	Minimum one person	Very low

Any foreign company with a head office and registered business operations outside of Germany can establish a German branch office. A branch office is a suitable business form for a foreign company wanting to establish a presence in Germany for the purpose of initiating business and maintaining contacts with business partners.

In Germany, there are two kinds of branch establishments which primarily differ due to the degree of the independence from the head office company.

- Autonomous Branch Office
- Dependent Branch Office
- Representative Office

MAIN CHARACTERISTICS

A branch office has no independent or separate legal personality distinct from the head office itself. In legal and organizational terms, it is part of the head office business and is thus subject to the law governing the head office. In this context, the foreign head office company is fully liable to the extent of its own assets for any claims creditors might assert against the branch office. Any obligations or debts incurred by the branch office are also legal responsibility of the foreign company.

TAXATION OF BRANCH OFFICES

A branch office is subject to taxation in Germany if it is considered as a permanent establishment according to the applicable double taxation agreement (DTA). An autonomous branch office is generally regarded as a permanent establishment, whereas a dependant branch office is only ever considered a permanent establishment under certain conditions.

A German permanent establishment of a foreign corporation is taxed in Germany according to German taxation rules for corporations (corporate income tax, solidarity surcharge and municipal trade tax).



Autonomous Branch Office

The autonomous branch office (*selbständige Zweigniederlassung*) fulfills tasks that exceed mere implementation and support-related tasks. It is dependent upon the head office company at the internal level but engages in business activities independently. The relationships with the customer are subject to German law. However, the foreign head office company is liable for the business transactions concluded by the branch.

At the organizational level, autonomous branch offices are to a certain extent independent from the parent company and usually have the following attributes:

- Management with freedom to act according to their own judgement (i.e. with full power of attorney and power to contract)
- Own capital resources and bank account
- Separate accounting

An autonomous branch office can use its own name affix but the company name of the head office must also appear including its legal designation (for example: XY Ltd., branch office, Berlin).

SETTING UP AN AUTONOMOUS BRANCH OFFICE

Foreign companies can set up an autonomous branch office in Germany if they are entered in a foreign commercial register (or a comparable directory).

The decision to establish a branch office must be made by the managing directors of the head office. The autonomous branch office must be entered in the commercial register and registered with the local trade office.

REGISTERING IN THE COMMERCIAL REGISTER

The application for registration in the commercial register must include detailed information on the foreign company and generally be accompanied by a notarized copy of an excerpt of the commercial register showing the existence of the foreign company and the power of representation of the managing director(s) and the management board as well as from memorandum and articles of association. All documents should be in German certified translation and the notary's certificate must be authenticated.

Due to the harmonized EC Law, the documentation effort for European companies is fairly modest. For non-European companies it can be extensive, the exact details depending on the foreign company's residence. The application must be certified and submitted by a notary.

TRADE OFFICE REGISTRATION

The autonomous branch office must be registered in the trade office before business operations are started. A business license or permit is generally not necessary for registering the business. Only for some business sectors, a permit or authorization may be required. Trade office registration must be submitted on commencement of business at the latest.

Dependent Branch Office

A dependent branch office (*unselbständige Zweigniederlassung*) is a subordinate department of the head office company and does not have any autonomy from it. It focuses on maintaining contacts and initiating business in Germany.



The dependent branch office is not able to independently participate in the general business transactions of the head office. It performs support and implementation-related tasks without having any individual business discretion and is entirely dependent on the head office.

Invoices have to be made out in the name of the head office company. An individual company name cannot be used.

REGISTRATION OF THE DEPENDENT BRANCH OFFICE

As a dependent branch office displays no autonomy vis-à-vis the head office of the company, it is not entered in the commercial register. The only formal requirement for a dependent branch office is registration with the local trade office, for which certain documentation on the foreign company is also necessary.

Representative Office

Offices that purely serve to observe the market and pave the way for initial customer contacts are often described as “representative offices.” However, this term does not exist in German commercial law. A representative office must usually be registered as a branch office in Germany.

Only an office managed by a self-employed external business person (e.g. a commercial agent authorized by the company) can be considered a case in which no independent business activity is conducted on behalf of the foreign company. In this specific instance, registration with the local trade office is not required.

Business Registration

In the establishment phase of a company - and prior to assumption of commercial activities - a company only has to be registered in the public commercial register (*Handelsregister*) and the local trade office (*Gewerbe- oder Ordnungsamt*). The registration creates transparency and also offers companies the highest level of security in their day-to-day business activities.



Entry in the Commercial Register

The commercial register (*Handelsregister*) provides information about all relevant relationships between merchants and commercial companies. The information is public and can be viewed by other companies.

The commercial register contains information about:

- The company of the business
- The name of the partner(s) and/or the personally liable partner(s)
- The managing director or the executive of corporations
- The capital stock of companies
- Liability limitations of partners
- The issuing and revoking of the power of attorney
- The opening of insolvency proceedings
- The dissolving and ending of a company

COMPANIES REQUIRED TO REGISTER

Companies required to register are those which carry out a commercial business operation. This is determined by criteria such as the use of commercial accounting, annual turnover, capital resources and total number of employees. In general, with an annual turnover of over EUR 250,000 and a profit of EUR 25,000 it is assumed that a commercial business operation exists. In addition to this, as a rule, all status relevant actions of companies are subject to registration.

Small businesses, civil partnerships (*GbRs*), freelancers and dependent branch offices do not have to be registered in the commercial register.

REGISTRATION PROCEDURE

The application for registration in the commercial register is electronically filed in publicly certified form by a notary to the responsible commercial register.

As a rule, with types of company in which the entry in the commercial register is part of the act of establishment, the possible limitation of liability of the partner(s) is only effective subsequent to the time of the entry in the commercial register. If business is carried out prior to this point in time, partners can be liable for any losses of the company with their private assets (especially the case with corporations).

REGISTRATION COSTS

The total cost of entry in the commercial register varies depending on the type of company. Costs incurred are made up of costs of the notarial certification and the fees charged by the

district court for entry and publication in the Federal Gazette (*Bundesanzeiger*). The cost for registration and publication in the commercial register for a partnership is currently EUR 250 minimum. For a GmbH, this amount is at least EUR 400, and for an AG at least EUR 500. Additional costs are incurred through the use of a notary.

The costs and fees are not levied on an arbitrary basis but are regulated by law. They largely depend on the number of partners and the share capital. Further costs can be incurred by the provision of additional legal advice.

The Federal Chamber of German Civil Law Notaries (*Bundesnotarkammer*) provides information about the exact composition and level of notary costs on its internet site. Here, companies can also find a German notary.

Federal Chamber of German Civil Law Notaries (*Bundesnotarkammer*)
www.bnotk.de

COMMERCIAL REGISTER DISPLAY

The commercial register is managed by the district court where it is open to public view at no cost. In addition to this, the register can also be consulted online through the common register portal of the German federal states (*Gemeinsames Registerportal der Länder*).

Common Register Portal of the German Federal States
www.handelsregister.de

Some of the company data which is stored in the commercial register is also available electronically through the commercial register of the Federal Gazette (*Bundesanzeiger*).

Company Register
www.unternehmensregister.de

Trade Office Registration

Before starting their business operations, every business operator must inform the trades (or regulatory) office (*Gewerbe- oder Ordnungsamt*) of the town or local district in which the business operation is located. This applies to every company regardless of its company form (except freelance professionals).

A business license or permit is not necessary for registering the business in the majority of cases. In some sectors, a permit or authorization might be required (e.g. pharmacies, property developers, estate agents, brokers, security firms, pubs and hotels or banks).

REGISTRATION PROCEDURE

The registration of a business activity that does not require a license or permit costs between EUR 20 and EUR 40. Additional costs apply for companies that require a business license. Costs are depending on the sector the business is operating in. For the independent, non-industrial operation of certain trades (e.g. bakers, carpenters or precision makers) entry in the Register of Craftsmen (*Handwerksrolle*) is also required. The trades that are affected are listed in the Crafts and Trades Regulation Code (*Handwerksordnung*) where they can be consulted.

AUTOMATIC FORWARDING

The trade office automatically sends a copy of the business registration to the responsible tax office (*Finanzamt*). This then sends a registration form to the company for tax registration purposes. In addition to this, it also sends the registration to the other relevant institutions such as the respective Employer's Liability Insurance Association (*Berufsgenossenschaft*), the corresponding Chamber of Industry and Commerce (*IHK*) and, if required, the Chamber of Crafts (*Handwerkskammer*).

Chambers of Industry and Commerce (IHKs) and Chambers of Crafts

In Germany, the Chambers of Industry and Commerce (*IHKs*) and the Chambers of Crafts (*Handwerkskammern*) function as the local interest groups of business operators in a specific region. At the same time the chambers realize more than just the general functions of professional associations for their members. They also:

- Carry out active lobbying work by representing the interests of the company towards municipalities, state, and federal government;
- Organize vocational training by defining the framework requirements and approving interim and final examinations;
- Draw up certificates concerning, for example, admissible company names.

In addition to this, the *IHKs* also provide information about the local economic framework conditions in a region and provide foreign companies with business contacts to possible regional partners. All *IHK* members are also able to draw on the comprehensive advice and services of the responsible chamber. The chambers are generally the first point of contact in the event of day-to-day business problems.

Membership of the *IHK* or Chamber of Crafts is obligatory and occurs automatically on registration in the trade office without requiring special registration. The costs of membership of the chamber depend on turnover of the respective company.

The umbrella association of the German Chamber of Industry and Commerce, the *DIHK* (*Deutscher Industrie- und Handelskammertag*), offers an overview of all of the regionally responsible chambers on its website.

The German Chambers of Industry and Commerce *IHK* Finder
www.dihk.de

Transferring Assets

The Bank Account

It is advisable that anyone who runs a business in Germany also has a bank in Germany to quickly organize day-to-day business activities. Almost all large international banks have offices in Germany and it is also easy to have foreign currency accounts.

To open a private bank account you generally must have a valid passport and written confirmation that Germany is your current place of residence from the local Public Office (*Bürgeramt*). For a company bank account, the requirements depend on the legal form of the company. In addition to a valid passport you will generally need an excerpt from the commercial register and the articles of association of the company.

Capital

Capital can be moved in and out of Germany without any restrictions. However, amounts over EUR 12,500, or equivalent payments with valuables, must be reported to the German Central Bank (*Bundesbank*). These reports are for statistical purposes only. Forms can be obtained from the Bundesbank.

Reporting obligations for money transfers from abroad depend on the place of residence of the recipient/addresser: nationality is irrelevant. A person or company with a place of residence or business in Germany must report incoming and outgoing payments from abroad for all transactions over EUR 12,500. Alternately, an investor with a place of residence abroad does not have to register a capital transfer to an account in Germany (even if the investor is the account holder).

Payments for the import or export of goods and details in connection with the granting, taking out, or repayment of loans with an originally agreed term of less than twelve months do not have to be reported. For statistical purposes, every person living in Germany and every company located there must also inform the Bundesbank of the ownership of securities or deposit accounts abroad.

Receivables or liabilities from companies (for example, banks) or private individuals abroad must be reported to the Bundesbank if they amount to more than EUR 5 million or equivalent.

For bank account deposits of more than EUR 15,000 cash, banks are required to check the identity of the depositor in order to prevent money laundering.

Goods and Machinery

Goods and machinery can circulate freely within the EU. Customs, import turnover tax (*Einfuhrumsatzsteuer*), and in some cases, special excise taxes are charged for imports to Germany from non-EU states. The customs payable can be determined online using the TARIC (Integrated Tariff of the European Communities) system. Customs are not charged on investment goods if business operations have been transferred in full to Germany. For more information, please refer to the section on customs in chapter five.

TARIC-System (Integrated Tariff of the European Communities)
www.ec.europa.eu

Household objects can also be imported into Germany freely if the owner moves place of residence from abroad to Germany. A customs exemption of this kind must be applied for in writing beforehand.

Business Premises

Finding Appropriate Business Locations

Publicly owned industrial real estate for sale is administered by the state development agencies of the German states (*Wirtschaftsförderungsgesellschaften der Länder*).

The Federal Property Administration (*Bundesanstalt für Immobilienaufgaben*) also administers publicly owned properties for sale.

Institute for Federal Real Estate (in German only)
www.bundesimmobilien.de

Things to Keep in Mind

In addition, suitable business premises (for rental or for purchase) can be easily found via ads in daily regional newspapers, online markets, or from brokers.

There is often room for negotiation when purchasing real estate in Germany. As with elsewhere in the world, decisive price factors include location, equipment, building condition, financing costs, and any additional costs one might reasonably expect to incur. There are certain fees incurred when renting, purchasing or building real estate. Please see the table below for an overview of additional costs occurring when purchasing real estate.

When purchasing real estate, the expert advice of a real estate specialist should be sought prior to conclusion of the purchase agreement. This is because the purchaser's rights regarding defects of the sale object are typically restricted when purchasing second hand real estate. Accordingly, the buyer can, when the purchase agreement already has been concluded, only in exceptional cases assert a claim - for example, in cases where the seller has failed to disclose essential defects.

Exemplary Costs Overview when Purchasing Real Estate

Fee for	Percentage	Total
Agent's commission (for developed or undeveloped land)	5–6 %	EUR 5,000–6,000
Appraisal costs		Approx. EUR 1,000–1,400
Surveyor's office (if buildings have not yet been constructed)		Approx. EUR 3,000–5,300
Notary fees	1%	EUR 1,000
Court and land register	Approx. 0.3%	EUR 300
Real estate transfer tax	3.5%	EUR 3,500
Total		Approx. EUR 13,800–17,500

* exempt for the cities of Berlin and Hamburg where the tax rate amounts to 4.5%

