

Setting up a business in Germany

for foreign investors

Choice of legal form, GmbH formation, branch office, commercial register, trade registration, taxes, business account, Transparency Register and residence law: the steps, their sequence and the typical pitfalls at a glance.

3–8 weeks

until fully operational, with complete documentation

2–4 months

for shareholders with documents from non-EU countries

€25,000

minimum share capital of a GmbH, of which €12,500 before registration

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NOTE

This guide provides a general overview of the legal position as of October 2026. It does not replace advice on individual cases. Laws, deadlines and administrative practice change; no liability is accepted for accuracy in any specific case.

Overview

Any foreign company or investor wishing to do business in Germany must first make a basic decision: a separate German company (usually a GmbH) or a branch of the existing foreign company. This is followed, in a fixed sequence, by the commercial register, trade registration, tax registration, business account and Transparency Register.

This guide is aimed at entrepreneurs from EU and non-EU countries who are establishing a branch, a subsidiary or a new business in Germany. It does not replace advice on individual cases, but it shows which steps are involved, in what order, and where time is typically lost.

TIMEFRAME

Realistic timeframe with complete documentation: **3 to 8 weeks** until fully operational (commercial register entry, tax number, bank account). For foreign shareholders with documents from non-EU countries, apostilles and translations, **2 to 4 months** is not unusual.

Anyone who acquires or invests in an existing German company instead of forming a new one must also check whether foreign direct investment screening under foreign trade law applies (Secs. 55 et seq. AWV). In sensitive sectors such as defence, critical infrastructure and certain key technologies, notification and approval requirements apply that must be observed before closing.

Choice of legal form

For most foreign investors, the GmbH is the right choice: it separates the German business from the parent company for liability and tax purposes, and banks, landlords and authorities are familiar with it. A branch is mainly worthwhile if the parent company conducts only a limited part of its business in Germany and wants to offset start-up losses against profits abroad.

Feature	GmbH	UG (haftungsbeschränkt)	Branch
Legal entity	Separate legal person	Separate legal person	Part of the foreign company
Liability	Limited to company assets	Limited to company assets	The entire parent company is liable
Minimum capital	€25,000, of which at least €12,500 paid in before registration	from €1; 25% of annual profit to be allocated to a reserve until €25,000 is reached	None
Notary	Yes (articles of association, registration)	Yes	Yes (register filing only)
Taxation	Unlimited corporate income tax liability; CIT 15% + solidarity surcharge + trade tax, approx. 30% in total	As GmbH	Limited tax liability on the permanent establishment's profit; profit attribution under Sec. 1(5) AStG and BsGAV
Distributions to parent	Dividend subject to withholding tax; for an EU parent holding at least 10% (for at least 12 months), 0% on application (Sec. 43b EStG), provided the anti-abuse rule does not apply (Sec. 50d(3) EStG); exemption certificate or refund via the BZSt (Sec. 50c EStG)	As GmbH	No withholding tax on profit transfers
Standing with banks and customers	High	Rather low	Depends on the parent company
Typical use	Permanent business, staff, real estate, contracts with liability risk	Small start-ups with little capital	Sales office, project business, market testing

A **representative office** (Repräsentanz, liaison office) is not a legal form in its own right: it may only maintain contacts and carry out market research, but may not conclude contracts. If it actually becomes operational, a permanent establishment arises for tax purposes, even without registration.

NOTE ON TAX BURDEN

Under current law, the corporate income tax rate will fall gradually from 15% to 10% (2032) starting in 2028. Trade tax depends on the municipal multiplier (at least 200%, usually 400 to 490% in major cities, Frankfurt am Main 460%); it should be checked before choosing a location.

Forming a GmbH step by step

A GmbH only comes into existence upon entry in the commercial register (Sec. 11 GmbHG). Anyone acting on behalf of the company beforehand is personally liable. The steps at a glance:

01 Determine the articles of association

With no more than three shareholders and one managing director, the statutory model protocol (Musterprotokoll, Sec. 2(1a) GmbHG) is sufficient. For companies with a foreign parent, several shareholders, or provisions on transfer restrictions, consent requirements and changes of shareholders, individually drafted articles of association are advisable.

02 Notarisation

Possible in person or by videoconference via the system of the Federal Chamber of Notaries (Sec. 2(3) GmbHG, Secs. 16a et seq. BeurkG); since August 2023 also for formations by contribution in kind. For online formation, each party needs an eID-enabled identity document (German identity card, electronic residence permit or notified EU eID). Citizens of many non-EU countries must therefore attend in person or be represented by an attorney-in-fact holding a notarially certified and apostilled power of attorney.

03 Appoint the managing director

The managing director need not be resident in Germany or hold German nationality. He or she declares to the registry court that there are no grounds disqualifying the appointment (Sec. 8(3), Sec. 6(2) GmbHG). The required instruction may also be given by a foreign notary or a German consulate.

04 Open a business account and pay in the share capital

At least one quarter of the nominal amount of each share, and in total at least half of the minimum share capital (€12,500), must be received before registration in an account of the "GmbH in formation". In the application, the managing director declares that the contributions have been made and are finally at his or her free disposal (Sec. 8(2) GmbHG); false statements lead to personal liability (Sec. 9a GmbHG). If the money flows back to the parent company shortly after payment as a loan or as remuneration for services, this may constitute a hidden contribution in kind or a round-trip payment; the contribution may then be deemed wholly or partly not to have been made (Sec. 19(4), (5) GmbHG). See also the section on the business account.

05 Application for entry in the commercial register

The notary files the application electronically. It must be accompanied by the articles of association, the list of shareholders, evidence of the appointment of the managing directors and, for foreign shareholders, proof of their existence and representation (current register extract with apostille and certified translation).

06 Registration

Depending on the registry court, it takes from a few days to three weeks once the documentation is complete. From registration, the GmbH can operate without personal liability of those acting on its behalf.

Costs (guide figures)

For a cash formation using the model protocol and share capital of €25,000, notary and register fees usually range between €800 and €1,500. With individually drafted articles, foreign shareholders and translations, €2,000 to €4,000 is common, plus advisory fees.

PRACTICAL TIP

Order apostilles and translations of the parent company's register extracts early. Many registry courts only accept extracts that are no older than six weeks to three months.

Branch of a foreign company

A branch must be entered in the commercial register if the foreign company maintains an organisationally independent unit in Germany with its own management, its own business and its own accounting (Secs. 13d to 13g HGB). This does not give it separate legal personality.

The application is filed by the legal representatives of the foreign company through a German notary with the registry court at the branch's seat. The following are generally required:

- a current register extract of the head office with apostille or legalisation and a certified German translation,
- articles of association or statutes as a certified copy with translation (Sec. 13g(2) HGB for GmbH-type companies),
- details of the legal form, register and registration number, capital, corporate purpose and address of the branch,
- proof of the managing directors' power of representation and their declaration that there are no grounds disqualifying their appointment,
- where applicable, appointment of a permanent representative for the branch, stating his or her powers (Sec. 13e(2) sentence 5 no. 3 HGB).

The branch's business name corresponds to that of the head office; an addition such as "Zweigniederlassung Frankfurt" (Frankfurt branch) is permissible and customary. For companies from EU and EEA states, the registers exchange information via the Business Registers Interconnection System (BRIS). Changes at the parent company, such as a change of managing director, must also be filed with the German register.

PRACTICAL TIP

A permanent representative resident in Germany is not legally required, but considerably facilitates opening an account, dealing with authorities and service of documents.

Trade registration and licences

Every GmbH and every branch engaged in commercial activity must register the business with the municipal trade office, at the same time as commencing the activity (Sec. 14 GewO). Registration is possible online in most cities; the fee is usually between €20 and €60.

The trade office automatically forwards the data to the tax office, the Chamber of Industry and Commerce (IHK) (or Chamber of Crafts), the statutory accident insurance institution (Berufsgenossenschaft) and the statistics office. Membership of the IHK is mandatory for commercial businesses and subject to fees.

For certain activities, registration is not sufficient. A licence or registration is then required before commencing the activity:

Activity	Required	Competent body
Licensed crafts (Annex A HwO, e.g. electrical, plumbing, roofing)	Entry in the register of craftsmen; master craftsman or equivalent qualification; for EU/EEA citizens, recognition under the EU/EEA Crafts Regulation	Chamber of Crafts
Temporary agency work	Licence under Sec. 1 AÜG	Federal Employment Agency
Restaurant serving alcohol	Restaurant licence (depending on federal state)	Municipality
Real estate brokers, property developers, residential property managers	Licence under Sec. 34c GewO	Trade office or IHK
Insurance and financial investment brokerage	Licence under Secs. 34d, 34f GewO	IHK
Security services	Licence under Sec. 34a GewO	Trade office
Commercial road haulage over 3.5 t	Licence or EU Community licence	Transport authority

As soon as employees are hired, two further registrations are required: the establishment number from the Federal Employment Agency's establishment number service, and registration with the competent statutory accident insurance institution within one week of opening (Sec. 192 SGB VII).

Tax registration

Within one month of commencing the activity, the tax registration questionnaire must be submitted electronically via ELSTER (Sec. 138(1b) AO). Without a tax number, no proper invoice can be issued, and many customers only pay once the VAT ID number has been provided.

Number	Purpose	Issued by	Note
Tax number (Steuernummer)	Tax returns, invoices	Competent tax office	After review of the questionnaire, usually 2 to 6 weeks
VAT ID no. (USt-IdNr.)	Intra-Community supplies of goods and services	Federal Central Tax Office (BZSt)	Apply for it in the questionnaire
Business identification number (W-IdNr.)	Uniform identifier for authorities and registers (Sec. 139c AO)	Federal Central Tax Office (BZSt)	Issued in stages by the BZSt, without separate application; stating it is currently voluntary, until then the tax number remains decisive

Competent tax office

For a German GmbH, the tax office at the place of management is competent for all taxes (Sec. 20 AO). The branch is different: income taxes are handled by the tax office of the permanent establishment, whereas VAT of the foreign company is subject to centralised competences by country of origin (Sec. 21(1) sentence 2 AO in conjunction with the VAT Competence Ordinance), e.g. the Kassel tax office for Portugal, Spain and Croatia and, for Hungary, since January 2026 on an interim basis the Nuremberg tax office (BMF, BStBl 2026 I p. 3). The same tax offices are also competent for wage tax of foreign construction companies.

Ongoing tax filings

- Advance VAT returns electronically, monthly or quarterly depending on the amount of tax.
- Wage tax returns as soon as employees are hired.
- Prepayments of corporate income tax and trade tax as assessed by the tax office and the municipality.

PERMANENT ESTABLISHMENT RISK

Foreign companies that operate in Germany on a permanent basis without registering (office, warehouse, dependent agent with authority to conclude contracts, construction sites beyond the time limits of the applicable double tax treaty) nevertheless create a permanent establishment for tax purposes. Taxes are then payable retroactively, often with interest and surcharges.

Transfer pricing

Transactions between the German subsidiary and the foreign parent (management fees, licences, loans, supplies of goods) must be priced at arm's length and documented (Sec. 1 AStG, Sec. 90(3) AO). A written intra-group agreement from the outset avoids later disputes with the tax auditors.

Business account

In practice, the business account is the most frequent bottleneck: no account, no payment of share capital; no payment, no application for commercial register entry. Therefore plan to open the account **in parallel with the notarisation**, not afterwards.

Under the Money Laundering Act, banks are obliged to identify the company, its representatives and all beneficial owners (Secs. 10 to 12 GwG). They must also obtain proof of registration in the Transparency Register (Sec. 11(5) GwG). The following are usually required:

- notarial deed of formation or articles of association and list of shareholders,
- valid identity documents of the managing directors and the beneficial owners,
- for foreign shareholders, a current register extract with apostille and translation, and an organisational chart of the shareholding structure,
- information on the business model, expected turnover and source of funds,
- subsequently, the commercial register extract and the tax number.

Typical hurdles for foreign founders

- Many high-street banks require the managing directors to appear in person in Germany. Online video identification does not work with all passports.

- For parties from countries with a higher money laundering risk, enhanced due diligence applies (Sec. 15 GwG). The review then often takes several weeks.
- Complex holding structures without comprehensible documentation frequently lead to rejection.

PRACTICAL TIP

For day-to-day payments, an account with a bank in another EU member state is also sufficient. Companies and authorities in Germany may not refuse a SEPA payment because the IBAN originates from another EU country (Art. 9 SEPA Regulation). Payment of the share capital is a separate matter: whether a foreign account sufficiently evidences the managing directors' free disposal (Sec. 7(3), Sec. 8(2) GmbHG) and which proof of payment the registry court will accept should be clarified with the notary in advance. An account of the company with a German bank is the safe route here.

Transparency Register

Every GmbH and UG must actively report its beneficial owners to the Transparency Register, including a single-member GmbH. Since 2021 the register has been a full register; entry in the commercial register no longer replaces the notification.

Who is a beneficial owner?

Any natural person who directly or indirectly holds more than 25% of the shares or voting rights or exercises control in another way (Sec. 3(2) GwG). Where there is a foreign parent company, the shareholding chain must be traced up to the natural persons at the top. If no one can be identified, the managing directors are deemed to be fictitious beneficial owners.

Information to be reported

First name and surname, date of birth, place of residence, nationalities, and the nature and extent of the beneficial interest.

Deadline

The notification must be made without undue delay after formation; changes (transfer of shares, new holding structure, relocation of a beneficial owner) must likewise be reported without undue delay. Annual repetition is not required. The registrar charges a small annual fee for maintaining the register.

Consequences of violations

Violations constitute administrative offences. The fine is up to €100,000 for gross negligence, up to €150,000 for intent, and up to €1 million or up to twice the economic benefit for serious, repeated or systematic violations (Sec. 56(1), (2) GwG). Final fine decisions are published (Sec. 57 GwG). Banks and other obliged entities report discrepancies between the register and their own findings (Sec. 23a GwG), which in practice often delays account openings.

Foreign companies

A foreign company must register in Germany if it acquires real estate here or acquires an interest in a real-estate-holding company, unless its details are already recorded in a register of another EU member state (Sec. 20(1) sentence 2 GwG). A mere branch does not in itself trigger the reporting obligation.

Since the CJEU judgment of 22 November 2022 (C-37/20, C-601/20), the general public no longer has access; access is available to authorities, obliged entities under the GwG and persons with a legitimate interest.

Residence rights for managing directors and shareholders from non-EU countries

Shareholders and managing directors can in principle perform their functions from abroad; neither nationality nor residence in Germany is a prerequisite. A residence permit only becomes necessary if a person from a non-EU country is to live in Germany or work here beyond business trips. Citizens of the EU, the EEA and Switzerland do not need a residence permit.

Situation	Typical route	Note
Short business trips (meetings, notary appointment, bank meeting)	Visa-free or Schengen visa, up to 90 days within any 180-day period	Not gainful employment in the strict sense; business trips are permitted (Sec. 16 BeschV)
Employed managing director without a significant shareholding moves to Germany	Residence permit for employment (Sec. 19c(1) AufenthG); as a statutory representative, without approval of the Federal Employment Agency (Sec. 3 BeschV)	Submit employment or service contract and appointment resolution
Shareholder-managing director with a significant shareholding	Residence permit for self-employment (Sec. 21 AufenthG)	Viable business plan, secured financing and positive economic impact; opinion of the IHK
Executive or specialist seconded within a group	ICT Card (Sec. 19 AufenthG)	At least six months' prior employment within the group
Skilled workers for the new company	EU Blue Card, residence permit for skilled workers (Secs. 18a, 18b, 18g AufenthG)	Fast-track procedure for skilled workers possible via the immigration authority (Sec. 81a AufenthG)

The visa is applied for at the German mission in the country of origin. Waiting times of several months are common at some embassies and should be factored into the formation timeline.

Ongoing obligations after formation

Upon registration, the obligations of a German corporation begin, regardless of whether any turnover has yet been generated. The managing directors are personally liable for their fulfilment.

Obligation	Contents	Deadline
Bookkeeping	Double-entry bookkeeping in accordance with the HGB and GoBD, in German and in euros (Secs. 238 et seq. HGB, Sec. 146 AO)	Ongoing
Retention	Books and annual financial statements 10 years, accounting vouchers 8 years (Sec. 147 AO, Sec. 257 HGB)	From the end of the calendar year

Obligation	Contents	Deadline
E-invoicing	Receipt of electronic invoices mandatory since 2025; issuing mandatory from 2027 for prior-year turnover above €800,000, from 2028 for all	Phased in by law
Annual financial statements	Balance sheet, profit and loss account; for medium-sized and large GmbHs also notes and management report (Sec. 264 HGB)	Small GmbH: 6 months after financial year-end
Disclosure	Filing with the Company Register (Unternehmensregister); micro-entities may deposit the balance sheet (Secs. 325, 326 HGB)	12 months after financial year-end; in case of default, administrative fine (Sec. 335 HGB)
Tax returns	Corporate income tax, trade tax, VAT, electronically	Without an adviser 31 July of the following year; extended with an adviser
List of shareholders	New list upon every change in shareholdings (Sec. 40 GmbHG)	Without undue delay
Transparency Register	Changes concerning the beneficial owners	Without undue delay

Two obligations are often underestimated by foreign managing directors:

DUTY TO FILE FOR INSOLVENCY

In the event of illiquidity, no later than three weeks; in the event of over-indebtedness, no later than six weeks (Sec. 15a InsO). Violations are a criminal offence.

SOCIAL SECURITY

Whether a managing director is subject to social security contributions depends primarily on his or her shareholding and influence over the company. For shareholder-managing directors, a status determination procedure with the German Pension Insurance (Deutsche Rentenversicherung) should be initiated at an early stage; in the case of a posting from an EU member state, the A1 certificate is decisive.

Checklist and typical mistakes

The following sequence has proven itself for formations by foreign shareholders:

- ☐ Decide on legal form and location (GmbH or branch, municipality and trade tax multiplier)
- ☐ Obtain the parent company's register extract with apostille and translation
- ☐ Have the IHK check the company name for admissibility and risk of confusion
- ☐ Secure a business address (lease or office service with an address for service)
- ☐ Schedule a notary appointment; agree the articles of association and list of shareholders
- ☐ Initiate account opening in parallel
- ☐ Pay in the share capital and provide proof to the notary
- ☐ Commercial register application by the notary
- ☐ File the Transparency Register notification
- ☐ Register the trade; apply for licences where necessary
- ☐ Submit the tax registration questionnaire via ELSTER; apply for the VAT ID number at the same time
- ☐ If hiring staff: set up establishment number, accident insurance institution and payroll
- ☐ Conclude written intra-group transfer pricing agreements
- ☐ Set up bookkeeping and a deadline calendar for taxes and annual financial statements

Typical mistakes in practice

- Contracts are concluded in the name of the GmbH before registration, without the suffix "in formation" and without clarifying the personal liability of those acting.
- Foreign documents are too old, not apostilled or only translated without certification; the registry court rejects the application.
- The share capital is paid in before notarisation or into a private account; it may then be deemed not to have been duly contributed, so that the contribution obligation continues to exist.
- The parent company acts without a contract and unwittingly creates a permanent establishment.
- The Transparency Register notification is omitted because the shareholders are already listed in the commercial register.
- A virtual office without actual management in Germany leads to problems with the bank, the tax office and treaty residence.

How WYN LEGAL can help

WYN LEGAL supports foreign companies and investors through the entire formation process, covering legal and tax matters from a single source, in German, English, Portuguese and Hungarian. This includes choosing the structure, preparing the articles of association and register documents, coordinating with the notary and bank, tax registration, as well as ongoing bookkeeping, payroll and annual financial statements.

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