

How to establish a legal entity?

with a focus on the GmbH
(the German Ltd.)

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AGENDA

- I. Possible business forms
- II. Procedure for founding a GmbH
- III. Tax aspects
- IV. Our Services for inbound clients

I. Possible business forms (1/2)



Representation office

- less formalities
- less organisation
- no management independence
- employees do not have power of attorney to conclude contracts (in order to avoid a permanent establishment for tax purposes)

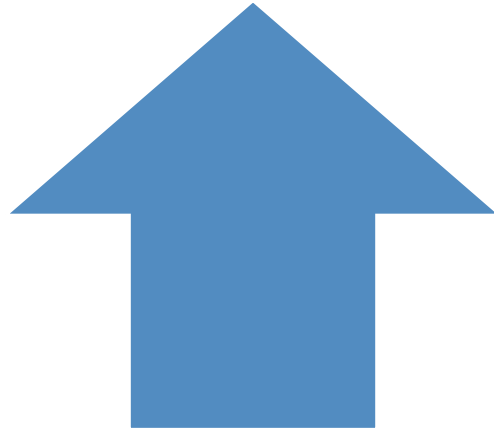
Registered branch office (permanent establishment)

- in case of a registration with the local court the branch itself is able to enter into legal relationships with third parties
- management independence (branch manager)
- foreign parent company still bears ultimate legal liability

GmbH

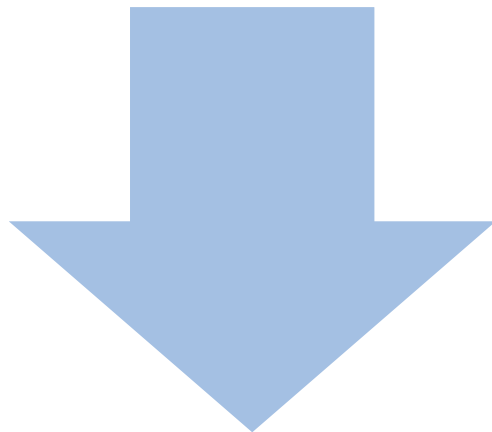
- separate legal entity with full legal capacity
 - liability is limited to the share capital (minimum: 25,000€)
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I. Possible business forms (2/2)



Representation office

- easy set up (only registration with the employment office necessary if local employees are engaged)
- limited business activities (only representation)
- no income tax liability



GmbH & Registered branch Office

- formalistic founding process
- unlimited business activities
- income tax liability

II. Procedure for founding a GmbH (1/2)

Basic steps of the founding process

1. Draft articles of association
2. Clearance of the company name with the Chamber of Commerce
3. Notarisation of the foundation with appointment of the managing director
 - a. Personal appearance at the notary's office in Germany, or
 - b. Legal representation with an appropriate POA, or
 - c. since 2022: web conference with German notary (only in EU cases)
4. Opening of a bank account for the GmbH
5. Payment of the share capital (minimum: 25,000€)
6. Application of the GmbH with the commercial register of the local district court (done by the notary)
7. Registration of the GmbH in the commercial register

=> Registration is a legal requirement for the existence of the GmbH as a legal entity and for the limited liability

II. Procedure for founding a GmbH (2/2)

Sticking points in the foundation process

Opening of a bank account for the GmbH

- Under the Money Laundering Act, information on the beneficial owner of the GmbH is to be provided to the bank
- Entry in the transparency register required
- In urgent cases we offer to open a trust account

Application of the GmbH with the commercial register of the local district court (done by the notary)

- Proof of existence of the shareholder & Proof of authorisation to represent the shareholder: extract from the Companies House (notarized, apostilled, translation into German)
- Proof of payment of the share capital (usually bank statement)

Summary

- A GmbH can be founded remotely by a foreign investor in four to six weeks (depending on the procurement time of legal documents)

III. Tax aspects

Business taxation

➤ Taxes of the Company

- **Direct taxes:**

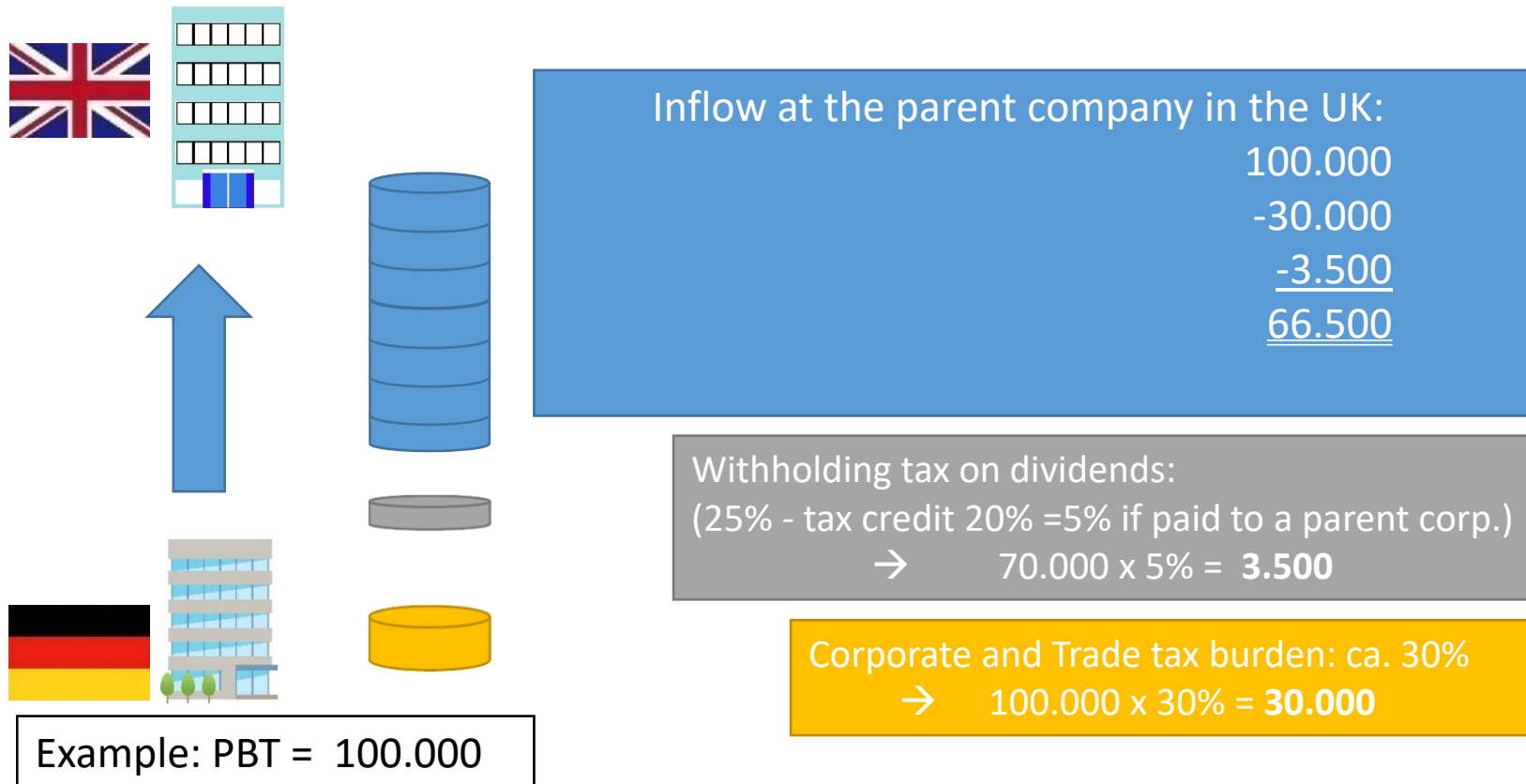
- Corporation income tax: 15.83%
including solidarity surcharge ("state tax")
- Trade tax on income: 13% to 17% („local tax")
- Wage tax, paid on behalf of the employee

- **Indirect taxes:**

- Value added tax: 19% (reduced rate: 7%)

III. Tax aspects

Taxation of profit distributions to a parent corporation in UK (post Brexit)



IV. Our Services for inbound clients

Legal

- Foundation and registration (also remote)
- Well-established procedures with notaries in Germany and abroad
- Employment contracts
- Bilingual contracts

Tax

- Financial and payroll accounting
- Financial statements
- Tax returns
- Expat taxation
- Transfer pricing

Consulting

- Trust and treasury services

One-stop-shop

Contact Details



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