

Process and Requirements

Characteristics and Set-up Costs (estm.)

<p>GmbH</p> <p>Level of Integration: 5/5</p>	<ul style="list-style-type: none"> One shareholder (individual or legal entity) is sufficient to set up the GmbH Requires at least 1 director, who can also be the shareholder Minimum share capital of €25,000 (however, only €12,500 has to be paid in before registration can take place) CRO registration is required The set-up process requires several corporate documents in German language (or as a bi-lingual version) which need to be notarized Notarisation can take place abroad No residency requirements of the directors Requires a German (office) address or registered office agent 	<ul style="list-style-type: none"> Highly recognized Separate legal entity Limitation of liability Like: Private company limited by shares The share capital is working capital and can be used for paying rents, staff costs etc. Set-up cost €3,000 – €4,000
<p>UG (haftungsbeschränkt)</p> <p>Level of Integration: 1/5</p>	<ul style="list-style-type: none"> No minimum share capital (€1) Otherwise as stated above 	<ul style="list-style-type: none"> Separate Legal entity Limitation of liability 25% of all gains must be retained until the share capital reaches €25,000 Not fully recognized in business Banks are often reluctant to provide a bank account for UG companies Set-up costs: €600 – €1,000
<p>Dependent Branch Office/ Permanent Establishment (PE)</p> <p>Level of Integration: 3/5</p>	<ul style="list-style-type: none"> No CRO registration / notarization of corporate documents is required, but a tax registration and (depending on the circumstances) a registration with the local trade office is required Requires a tax residency certificate of the Irish Revenue Office and certain corporate documents in respect of the Irish company as proof of its existence Requires a German (office) address 	<ul style="list-style-type: none"> No separate legal entity Contractual party is the foreign based company (HQ) A dependent branch office may (depending on the circumstances) be obliged or be in a position to apply for a German VAT number and can also issue invoices under its German address and claim VAT by way of filing monthly or quarterly VAT returns Name of the branch must be identical to the name of the Irish business The Irish business may be subject to a German tax audit For taxation purposes, an allocation of profits between HQ and the branch /PE will be required Set-up costs: €1,000 – €1,500
<p>Independent Branch Office</p> <p>Level of Integration: 4/5</p>	<ul style="list-style-type: none"> CRO registration required The set-up process requires several corporate documents in German language that need to be notarized Requires full tax registration in Germany and normally a registration with the local trade office (“Gewerbeamt”) Requires a tax residency certificate of the Irish Revenue Office and certain corporate documents in respect of the Irish company and certified translations thereof Requires a German (office) address and some company infrastructure that allows the branch to operate independently from its HQ 	<ul style="list-style-type: none"> Separate legal entity No minimum share capital CRO registration in Germany leads to better recognition Very complicated set-up process with sometimes excessive translation requirements Differences in legal systems can cause additional problems; especially in the area of representation Set-up costs: €5,000 – €6,000
<p>Virtual Office</p> <p>Level of Integration: 1,5/5</p>	<ul style="list-style-type: none"> Requires a contract with an Office Service Provider and with a phone company (numbers are often re-routed) No tax or other registrations required 	<ul style="list-style-type: none"> No “real” presence in the German market Danger of appearing as a “letter box company” No legal entity, the company must not operate under this address, e.g use this address for invoicing Set-up costs: from €150/month
<p>Independent Distributors/Sales Agents</p> <p>Level of Integration: 2/5</p>	<ul style="list-style-type: none"> Requires entering into a contract with an independent distributor or sales agent. If the sales territory is Germany this contract needs to be one under German law. No tax or other registration requirements for the foreign company in the case of an Independent Distributor When using a Sales Agent it depends on the circumstances if a tax or other registration of the foreign company will be required Protection of IP, customer data and other business / trade secrets becomes of critical importance 	<ul style="list-style-type: none"> Sec. 89b HGB can give very high post contractual compensation entitlements to the agent for business brought in by him during the term of the contract The local skills, good name and customer base of the Distributor or Sales Agent may be a compelling reason for choosing such a business model Set-up costs: €3,000 – €5,000
<p>Kommandit- gesellschaft (KG)</p> <p>Level of Integration: 4/5</p>	<ul style="list-style-type: none"> Two persons (Komplementär and Kommandist) are required to found such a company CRO registration is required The set-up process requires several corporate documents in German language, but only few of these need to be notarized No minimum share capital required; Requires a German (office) address or registered Office Agent 	<ul style="list-style-type: none"> Separate legal entity, good reputation The “Komplementär” is fully liable (personal and unrestricted liability) and normally manages the Company The “Kommanditist” only has very limited rights to participate in the management of the company Once the agreed contribution has been paid in, the Kommanditist is not liable with his personal assets. Tax transparent, i.e. the company does not pay corporate tax but trade tax Profits / losses will be allocated to the members of the company and income taxed there Annual financial statements do not have to be published Set-up costs: €3,000 – €4,000