



PLAYBOOK

How to Found a Company
in Germany

2025

in
cooperation
with



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Start with the Basics: Decide What You're Building

idea

Can you explain your idea in one sentence? What problem are you solving?

team

Will you have co-founders? Solo, duo, trio — align early on equity and roles.

ambition

Lifestyle business, exit, empire? It affects everything.

Choose Your Legal Form (Rechtsform)

| Legal Form | Capital | Liability | Best for |
|------------------------------------|--|-----------|--|
| GmbH | €25,000 (min. €12,500 at founding) | Limited | Serious businesses, B2B, VC- ready |
| UG (haftungsbeschränkt) | €1+ (realistically €1000 at founding) | Limited | Low-budget founders, can convert to GmbH later |
| GbR | €0 | Unlimited | Very early- stage, freelancers teaming up |
| Einzelunterneh men | €0 | Unlimited | Freelancers /solo without major risk exposure |

Founding Steps (UG/GmbH)

1. Choose name (check with IHK if it's legit), it should imply your business offering
2. Prepare either:
 - a. Custom Gesellschaftsvertrag or
 - b. Musterprotokoll

If you're founding a single-shareholder UG or GmbH, or a UG/GmbH with up to three shareholders and one managing director, you can use the Musterprotokoll.

What it is:

A ready-made founding document (combines articles of association, shareholder list, and director appointment).

Saves you time and notary fees.

But: You can't customize anything — no vesting, no drag-along, no flexible clauses.

Use it if you're just getting started and want to keep it cheap and fast.

Step-by-step

1. Go to Notary to notarize documents
2. Open business bank account with the notarized documents,
3. Deposit share capital
4. Get a document from the bank confirming that you deposited the money (you won't have access to the bank account at that point)
5. Notary registers with Handelsregister once you give him the confirmation of the deposit
6. With the registration (Handelsregisterauszug) finalize opening the bank account
7. Register at Gewerbeamt
8. Register at Finanzamt
9. Register for taxes via ELSTER

How Much Does It Cost to Found a Company?

| Item | UG (with Musterprotokoll) | GmbH (custom contract) |
|------------------------------|-------------------------------------|---------------------------|
| Notary + Register | ~€300 -€400 | €600- €900 |
| Business registration | ~€30 - €50 | ~€30 - €50 |
| Share capital | €1 (but realistically €500-€1,000+) | €12,500+ |
| Tax advisor setup (optional) | ~€200 - €500 | ~€200 - €500 |

Realistic minimum to get going with a UG: ~€800 - €1,000
 For a GmbH: ~€13,000+

Taxes, Taxes, Taxes

After registration:



Pro tip:

Work with a tax advisor. They will take over the communication with the government and calculate all your taxes and timings for you.

What You'll Get from Finanzamt

- **Steuernummer:** Your company's tax number — essential for invoices and correspondence.
- **USt-IdNr. (Umsatzsteuer-ID):** For intra-EU business; not mandatory but useful.
- **Gewerbesteuer Nummer:** For trade tax — issued by your local municipality.

Which Taxes Apply to a UG/GmbH?

1. Corporate Income Tax (Körperschaftsteuer)

- 15% of your profit (not turnover).
- Plus a **solidarity surcharge** (Solidaritätszuschlag) of 5.5% on the corporate tax amount, so effectively around 15.825%.

E.G.

| Profit | Corporate tax | Solidarity surcharge | Total |
|----------|---------------|----------------------|----------------|
| €100,000 | €15,000 | €825 | €15,825 |

2. Trade Tax (Gewerbesteuer)

- Also on **profit**, not turnover.
- The rate depends on your **municipality** (Hebesatz), usually between 7-17%.
- You calculate it like this:
 - Start with profit.
 - Apply a base rate of 3.5%.
- Multiply by the municipality's multiplier (Hebesatz).

E.G.

| Profit | Base rate 3,5% | Hebesatz 400% | Total |
|----------|-------------------|----------------------|----------------|
| €100,000 | €3,500 | 4 x €3,500 = €14,000 | €14,000 |

Freelancers are exempt from trade tax — but UGs/GmbHs are always liable.

3. VAT (Umsatzsteuer / Mehrwertsteuer)

- VAT applies to your revenue (i.e. turnover), not profit.
- Most common rates:
 - 19% (standard)
 - 7% (reduced, e.g. books, food)
 - 0% (intra-EU reverse charge for services or export outside EU)

You **collect** this from clients and pass it on to Finanzamt. It's not your money.

You can also **deduct input VAT (Vorsteuer)** from your business purchases, which is why keeping clean invoices is key.

When to Charge 19% vs. 7% VAT (Umsatzsteuer)

Standard VAT rate (19%)

This is the default rate in Germany and applies to most goods and services.

Examples:

- Software & SaaS
- Consulting services
- Digital downloads (ebooks, courses, etc.)
- Agency or freelance work (e.g. design, dev, marketing)
- Electronics, furniture, clothing
- Most B2B and B2C services

If you're unsure, 19% is the safe default.

Reduced VAT rate (7%)

Applies only to specific, legally defined goods and services – think of it as VAT for things the state considers “socially beneficial.”

Common examples:

- Books, newspapers, and magazines (physical only!)
- Public transport (under certain conditions)
- Groceries and food (but not in restaurants!)
- Certain cultural and artistic services
- Entry fees for museums, concerts, zoos (non-profit context)
- Hotel overnight stays (just the room, not the breakfast!)

Important:

- Digital books = 19%
- Audiobooks = 7%
- Training & education: often 19%, unless you're certified as an educational institution (then exempt entirely)

When VAT Is 0% (Exemptions)

Some services are completely VAT-exempt, not just reduced:

Examples:

- Healthcare services
- Financial services (loans, banking)
- Certain educational services (e.g. AZAV-certified)



Pro tip:

- If you sell digital products or services across EU borders, you need to know about OSS (One Stop Shop) and country-specific VAT rules.
- Use tools like Billomat, Lexoffice, or Debitoor to automate VAT rates correctly per product/service.

VAT Prepayment (USt-Voranmeldung)

If you charge VAT, you must ****prepay VAT monthly****, unless otherwise notified by Finanzamt. After one year, you might switch to quarterly.

How it works:

1. Charge 19% VAT (standard rate) or 7% (reduced rate).
2. Deduct VAT you paid on business purchases (input tax).
3. Pay the difference monthly via ****USt-Voranmeldung****



Pro tip:

Make a separate account and deposit there the difference until its about to be paid. You will keep better overview.

When is it due?

- **By the 10th of the following month.**
- You can apply for an **extension**
(Dauerfristverlängerung) to get +1 month time buffer.

Example:

- Invoices: €10,000 + €1,900 VAT
- Business costs: €3,000 + €570 VAT
- VAT due: €1,900 – €570 = ****€1,330****

Umsatzsteuer (VAT):

When You Need It, When You Don't

Must charge VAT if:

- You **exceed €22,000 revenue** in the previous year AND
- You **expect to exceed €50,000** in the current year.
- If you're under these thresholds, you can opt for

Kleinunternehmerregelung:

- You **don't** charge VAT on invoices.
- You **can't** deduct input VAT from business expenses.



Pro tip:

If you have **high initial costs**, skip Kleinunternehmerregelung and **go for VAT** — you'll get VAT refunds on software, services, etc.

How Much Capital Must Stay in the Company?

UG (Mini-GmbH)

- Requires **€1 minimum starting capital**.
- BUT: You must **retain 25% of your annual profit** as a reserve **until** you reach €25,000 equity (same as a GmbH).
- This is called the **Rücklagepflicht** (retention obligation).
- It doesn't mean you can't pay yourself, but you **must** put 25% aside before profit distribution.

E.G.

| Annual Profit | Retention 25% | Total |
|---------------|---------------|---------------|
| €20,000 | €5,000 | €5,000 |

This stays in the company as reserve.

GmbH

- Requires **€25,000 capital**, of which **at least €12,500** must be paid in at founding.
- There's **no 25% retention rule** like with a UG, but:
 - You should always keep enough liquidity to meet liabilities.
 - Distributing all your profits can create a **balance sheet risk** (→ possible insolvency issues if not managed well).

TL;DR:

| Tax Type | Based on | Rate | Notes |
|--------------------------|-------------|-------------------------|---------------------------------|
| Corporate Tax | Profit | 15% + 5.5% SolZ | Must be filed yearly |
| Trade Tax | Profit | ~14-17% | Municipality-based |
| VAT | Turnover | 0%, 7%, or 19% | You collect & forward - monthly |
| Capital Retention | Profit (UG) | 25% (until €25K equity) | UG only |

Other Startup Admin Things to Do

- Sign up for **Berufsgenossenschaft** (accident insurance)
- Get **business liability insurance** if you have physical operations or customer risk
- Optional:
 - website
 - IP check,
 - trademarks,
 - data protection (DSGVO!),
 - domains
 - imprint (mandatory in Germany on the website)
 - cookies banner for the website

Stay Compliant (and Sane)

- Monthly VAT prepayment (if relevant)
- Annual report & balance sheet
- Payroll + social security if you're paying yourself as MD (you can be MD of the company and not have an employment contract. Also: You can be a shareholder of a company and at the same time hire yourself by the company —> Germany is one of those countries, where you can be the signatory of both sides on a contract and it is valid)
- Watch out for letters from Finanzamt, IHK, or weird-looking registers (some are scams) —> Best setup a Dropscan and “Nachsendeauftrag” of your letters to your electronic inbox, this way you will stay on top of things.



Final Words: You Got This

Founding in Germany is bureaucratic but doable. It's not sexy, but it's **powerful**. And once you're through the paperwork jungle, you're ready to **build real value**.

Addendum

It is no shame if your company doesn't make it, these are the things I knew before founding my first company about how to close the company:

Closing a UG (Unternehmergesellschaft) or GmbH (Gesellschaft mit beschränkter Haftung) in Germany isn't just about flipping the "off" switch – it's more like going through a bureaucratic breakup with your company. There are some critical legal, financial, and operational steps to take. Here's what you absolutely need to know:

1. Shareholder Decision (Gesellschafterbeschluss)

- You need a formal resolution to dissolve the company.
- Must be notarized.
- Requires a majority vote as per your company's articles of association (Satzung).

2. Registration of Dissolution (Anmeldung zur Auflösung)

- Submit to the Handelsregister (commercial register).
- This step officially starts the dissolution.
- From this point, the company name is appended with "i.L." (in Liquidation).

3. Appointing a Liquidator (Liquidator:in)

- Usually a managing director, unless otherwise specified.
- Their job: settle debts, collect receivables, sell assets, and prepare final balance sheets.

4. Public Announcement (Gläubigeraufruf)

- Publish in the official gazette (Bundesanzeiger).
- Creditors have 1 year to come forward (Sperrjahr).
- This waiting period is mandatory. So in total it takes 2 years for you to close the company, so you have to plan with two extra tax declarations after you decide to close.

5. Tax Considerations & Deregistration

- Inform the Finanzamt early and prepare for:
- Final VAT declaration
- Corporate income tax
- Trade tax
- Possible audits
- Deregister from Gewerbeamt, IHK/HWK, Berufsgenossenschaft, etc.

6. Final Accounts & Distribution

- Prepare a liquidation closing balance sheet (Abschlussbilanz).
- Settle liabilities, distribute remaining assets to shareholders (after Sperrjahr).
- If nothing's left, document that too.

7. Delete the Company from Handelsregister

- After the Sperrjahr and all business is settled, apply for the deletion.
- Another notarized resolution is typically required.
- Once deleted, the company no longer exists legally.

Key Pitfalls to Avoid:

- **Skipping the Sperrjahr** → illegal and will bite back.
- **Not informing the Finanzamt properly** → tax hell.
- **Forgetting the IHK/HWK** → they'll keep billing you!
- **Overlooking digital assets/contracts** → close accounts, cancel contracts, etc.



Pro Tip: You might want to work with a tax advisor (Steuerberater) and possibly a lawyer during this process – especially if you have:

- Employees
- Long-term contracts
- Investors or shareholders
- Intellectual property or trademarks

Our team



We are **Ina Hermes and Aga Sarnecka** – experienced experts in digital transformation, product operations, and sustainable corporate development. With strategic vision and operational excellence, we help companies efficiently optimize their processes and scale sustainably.

Our strength lies in the combination of technological understanding, an inspiring team culture, and structured processes. We develop customized solutions that not only overcome current challenges but also equip companies for long-term digital transformation.

Together, we shape the future – strategically, operationally, and with vision.



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