Limited Liability Company (GmbH)

Characteristics

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.

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 700 to EUR 800 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.
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).

For detailed information on company registration procedures please read here:

• Business Registration