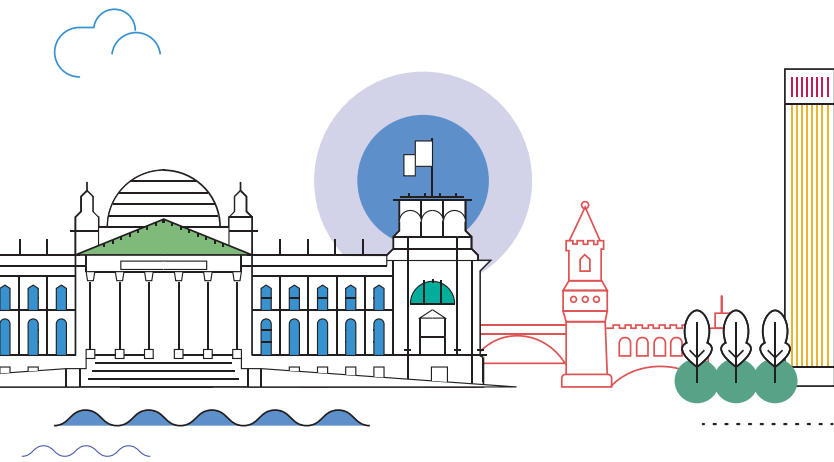


# DOING BUSINESS GUIDE

SETTING UP YOUR BUSINESS IN GERMANY:  
WHY AND HOW?



*Publishing date: January 2021  
Update: June 2021*





## INTRODUCTORY NOTE

Germany is the undisputed economic leader in Europe. Its remarkable performance over the past 15 years fascinates and attracts foreign investors.

This is particularly the case for French companies. The German market constitutes a major part of their development strategy in Europe.

The geographical proximity and close links between our two countries are favourable factors for French entrepreneurs. Germany is however a very competitive and demanding market in terms of quality. Meeting local requirements is essential for setting up a successful business there. Our goal is to introduce you to the fundamentals of doing business: it is essential to know and understand the way our future employees work and the expectations of your partners in Germany.

We invite you to try the stimulating and fascinating "German" experience by exploring this Doing Business Guide.

Enjoy!



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**General Manager Germany**

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# FRENCH FOREIGN DIRECT INVESTMENTS BAROMETER IN GERMANY

**4<sup>th</sup>**

Germany was ranked 4<sup>th</sup> for French intermediate-sized companies / SMEs / Start-ups in 2019. It attracted 7% of projects, just behind Spain and the United Kingdom

**2,700**

Subsidiaries owned by French companies are listed in 2019 in Germany



$\pi$  Pramex Office

**\$88 billion**

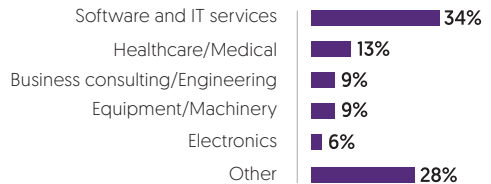
The amount of French FDI stock in Germany including \$3 billion in new investments in 2018 (source: OECD)

Start-ups and intermediate-sized companies are the main driving forces behind projects to set up business in Germany.



Newly incorporated companies in Germany by type of French investors (2019)

Technologies and B2B Services are strongly represented:



Per sectors / Key business areas (2019)

# 5 KEY QUESTIONS TO BE BETTER PREPARED

## Are you ready?

Germany stands as a key market in terms of the size of its population with high purchasing power and its central position in Europe making it a springboard to Eastern Europe.

It is a hotly contested market that attracts competitors from all over the world. The barriers to entry are higher than average there and, for the same quality, local customers will prefer a German supplier from the Mittelstand.

In this context, arrive well prepared with high quality and innovative products and services. You will have to convince more than seduce. Also present solid references to increase your chances of success.

## Where to set up in Germany?

The Federal Republic of Germany has a decentralised political and economic organisation. The regional dimension is important and influences the location of companies in a specific sector, for example in Frankfurt for finance.

It is worth a company's while to move to an area where its customers, partners, competitors and future employees are already located. It will probably be in one of the most dynamic city districts like Munich, Berlin, Cologne / Düsseldorf, Frankfurt, Hamburg or Stuttgart.

## In which form?

The creation of a GmbH is the legal form adopted by the overwhelming majority

of investors. It corresponds to the French SARL and is characterised by very simple management rules. There are no restrictions as to the number of partners. The manager is necessarily a natural person. The minimum capital amounts to €25,000 and must be paid up in part or in full before the company is registered.

## How long does it take to be operational?

Expect a period of 3 to 4 months for the creation and operational implementation of your structure. It is a bureaucratic procedure which requires the intervention of a notary for the signing of the articles of association and the appointment of managers. But it is above all the opening of the bank account that is very long and slows down the process of registering the company.

## How much does an establishment cost?

A project to set up a business in Germany needs to be considered in the long term and requires budgeted financial resources that allows for a non-immediate return on interest. Provide for a budget of €5 K for the creation and €15 K on annual average for administrative and financial management.

## Pramex Germany contact



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# GERMANY IN FIGURES

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## KEY FIGURES

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**1<sup>st</sup>**

economy  
in the Eurozone

**+0.6%**

growth in 2019

---

**2<sup>nd</sup>**

largest exporter of  
industrial goods in the  
world

**1<sup>st</sup>**

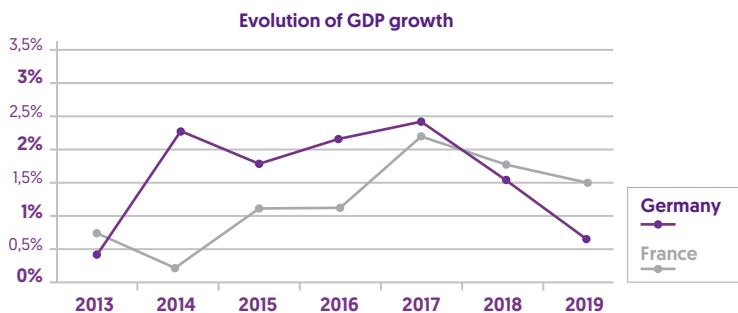
country for foreign  
investors in Europe

2019



Country ranking (GDP)	7	4
GDP (in billions of \$)	2,778	3,846
GDP growth (%)	1.5	0.6
Population (in M)	67	83
Standard & Poor's sovereign risk	AA	AAA
Ease of doing business [1 – 189]	32	22

Source: World Bank



## THE KEY STRENGTHS

- The largest market in Europe
- Strong domestic demand
- France's leading trade partner
- High purchasing power
- High profitability
- Dynamic industrial fabric: the "Mittelstand"
- Political and economic stability
- Quality infrastructure
- Attractive for FDI

# 10 GOOD REASONS TO SET UP A BUSINESS IN GERMANY



## A CENTRAL GEOGRAPHICAL POSITION IN EUROPE

- Following the successive enlargements of 2004, 2007 and 2013, Germany is now located at the heart of Europe and of the vast market of the European Union.
- It excels as an international springboard. For example it hosts no fewer than 160 international trade fairs which attract around 10 million visitors per year.
- Germany's central position on the continent makes it a gateway to approach the markets of Eastern Europe.



## A QUALIFIED AND COMPETITIVE WORKFORCE.

- 81% of Germans have the equivalent of the baccalaureat or vocational training. Germany has more than 400 universities and universities of applied science.
- The German system offers an efficient two-tiered education with theoretical training combined with practical teaching.
- Finally, the cost of labour remains under control in Germany. Employer contributions are much lower than in France and are, moreover, capped, making skilled labour very competitive.





## A REMARKABLE ECONOMIC FORCE

- 4<sup>th</sup> global economy
- Leading economy in Europe
- The driving force behind European recovery
- Ranked 22<sup>nd</sup> globally in terms of ease of doing business



## THE LARGEST MARKET IN EUROPE

- Germany is the most populated country in Europe with over 80 million inhabitants.
- In addition, this great power claims the highest European GDP.
- The German population has significant purchasing power which represents significant potential for investors.



## EFFICIENT AND RELIABLE INFRASTRUCTURE

- Germany has a comprehensive, high-quality infrastructure network. In total, it has 21 international airports, 23 seaports, 7,731 km of waterways, 230,702 km of road network and 37,679 km of railways.
- In addition, Germany dominates the logistics trade. The quality of energy and communication networks coupled with the density of transport infrastructure guarantee timely delivery of goods and pave the way for success.

# 6

## A LARGE FRENCH-SPEAKING COMMUNITY

- Estimated at over 160,000, the number of French people in Germany is an asset for an SME looking for the appropriate bilingual profile.
- French expatriates are mainly settled in Munich, Frankfurt am Main, Cologne and Berlin as well as in border areas.

# 8

## HIGH PRODUCTIVITY

- Germans stand out in Europe and around the world for their productivity, even in high value-added tasks.
- Germany has one of the best labour-cost ratios in Europe.
- In addition, labour law is very flexible in Germany. There are many flexible employment contracts: CDD, mini-jobs, work-study, internships, etc.

# 10

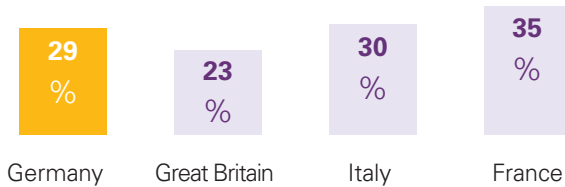
## A STABLE POLITICAL SYSTEM AND A FAVOURABLE BUSINESS CLIMATE

- German fundamental law is a source of freedom and stability. It represents the bases of German democracy and results in a non-interventionist culture which leaves more freedom to economic players.
- Germany offers a good business environment and fosters entrepreneurship.



## AN ATTRACTIVE TAX SYSTEM

- Profound reforms have made it possible to significantly reduce taxes and duties paid by companies in Germany.
- Germany is now a tax competitive country.



## INDUSTRIAL EXPERTISE BASED ON INNOVATION

- Germany occupies the leading position in Europe in terms of research. R&D is a priority sector in which it invests more than 3% of its GDP.
- SMEs (small and medium-sized enterprises) are the cornerstone of Germany's industrial strength. Totalling 3.7 million, they contribute to know-how and innovation in Germany.
- As a result, the country claims extremely competitive expertise making it a great industrial power.

# OVERVIEW OF THE LOCAL/LEGAL STRUCTURES IN GERMANY

## REPRESENTATIVE OFFICE

### Starting point of a physical presence

- + Simple start-up formalities
- + No bookkeeping or tax requirements
- ⚠ Commercial activity is not authorised

## BRANCH

### Administrative management similar to the subsidiary

- + Suitable for banking entities
- ⚠ Strong accounting and legal obligations
- ⚠ No tax advantages for a company

## LIMITED LIABILITY COMPANY

### Most common legal form in Germany

- + Liability limited to capital contributions (minimum €25,000)
- + No constraint regarding the number and nationality of partners
- ⚠ Manager must be a natural person

## PUBLIC LIMITED COMPANY

### Mainly used for large companies

- + Gives credibility in the eyes of banks and partners
- + Capital contribution (€50,000 minimum)
- ⚠ Stronger governance with executive board and supervisory board

# INCORPORATING YOUR SUBSIDIARY IN GERMANY

1

Drafting of the company agreement  
in notarial form

2

Appointment of manager(s)

3

Opening of the bank account and  
payment of the share capital of the  
GmbH

4

Registration on the trades register  
(*Handelsregister*)  
Official creation of the legal structure  
in Germany

5

Procedures for obtaining tax numbers

6

Effective start of the GmbH's activity



Overall timeline  
approx.  
**3 to 4  
months**

# MANAGING A SUBSIDIARY IN GERMANY

## INCENTIVES FOR INVESTMENT IN GERMANY

Germany offers certain tax breaks or exemptions as well as subsidies for companies:



Tax relief or tax credit for R&D spending. Germany aims to spend more than 3% of its GDP on R&D investments. This also involves subsidies.



Loan programs with reduced interest rates for SMEs investing in Germany





Investment tax allowance



Social subsidiaries for the recruitment or training of employees. Up to 50% of training costs can be covered. 70% of the salary of long-term unemployed or disabled people can be subsidised for a period of 96 months maximum

## ESTIMATED COSTS RELATED TO THE MANAGEMENT OF A SUBSIDIARY

Data in euros (€)			
Average annual cost per sqm of office space	526	336	↘-36%
Average gross annual salary of a Sales Director	105,000	160,000	↗52%
Legal gross minimum hourly wage	10.15	9.50	↘-6%
Fastfood menu	9	8	↘-11%
Monthly public transport subscription cost	75	91	↗21%
Monthly internet subscription 10Mbps	27	31	↗15%
Prepaid mobile local rate - 1 min	0.23	0.11	↘-52%
Monthly rent (2-bedroom downtown apartment)	2,655	1,732	↘-35%

Sources: Robert Walters - Salary survey 2020  
Le coût de l'Expat - Banque Populaire

# FRANCE VS GERMANY: EMPLOYMENT LAW AND TAX OVERVIEW

## EMPLOYMENT LAW



Contributions		
Employer contributions	<b>35% to 45%</b>	<b>20%</b>
Employee contributions	<b>20%</b>	<b>20%</b>
Legal weekly working time	<b>35 hours</b>	<b>40 hours</b>
Paid leave in days	<b>30</b>	<b>20</b>

### Dismissal in Germany





- For companies with fewer than 10 employees: simplification of the dismissal procedure.

These structures are not affected by the law on redundancies. An employee can be dismissed without cause and without compensation, subject to compliance with contractual / legal notices.



## TAX LAW

### Income tax in 2020

Taxable income	Tax	
Less than €9,408		0%
€9,408 to €57,052		14 to 42%
€57,052 to €270,501		42%
More than €270,501		45%

### Corporate tax and business tax



Sources: *Pramex International* and *GTAI.de*

# SOCIOCULTURAL FEATURES

## BUSINESS BEHAVIOUR



The Germans, more than the French, respect and advocate relationships of trust. The focus is on loyalty.



The Germans prefer written communication over oral communication.



They attach importance to official procedures, planning and punctuality.



Meeting commitments and deadlines is an essential factor in Germany.

## LABOUR CODE

**20**

**Minimum of days  
paid annual leave**  
(for a 5-day week)

**13**

**Maximum public  
holidays  
in 2021**

This figure varies from region to region.



Employee protection hinges above all on the work contract.



Unlike France, there is no general code bringing together the applicable texts. There is no Working Time Reduction.

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## SPECIFIC PROFESSIONAL AND BUSINESS FEATURES

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**30**

**Average  
settlement time  
of payables**



**48**

**Maximum  
number of hours  
worked per  
week**



**8**

**Maximum  
working time  
per day**, possible  
extension to  
10 hours from  
time to time



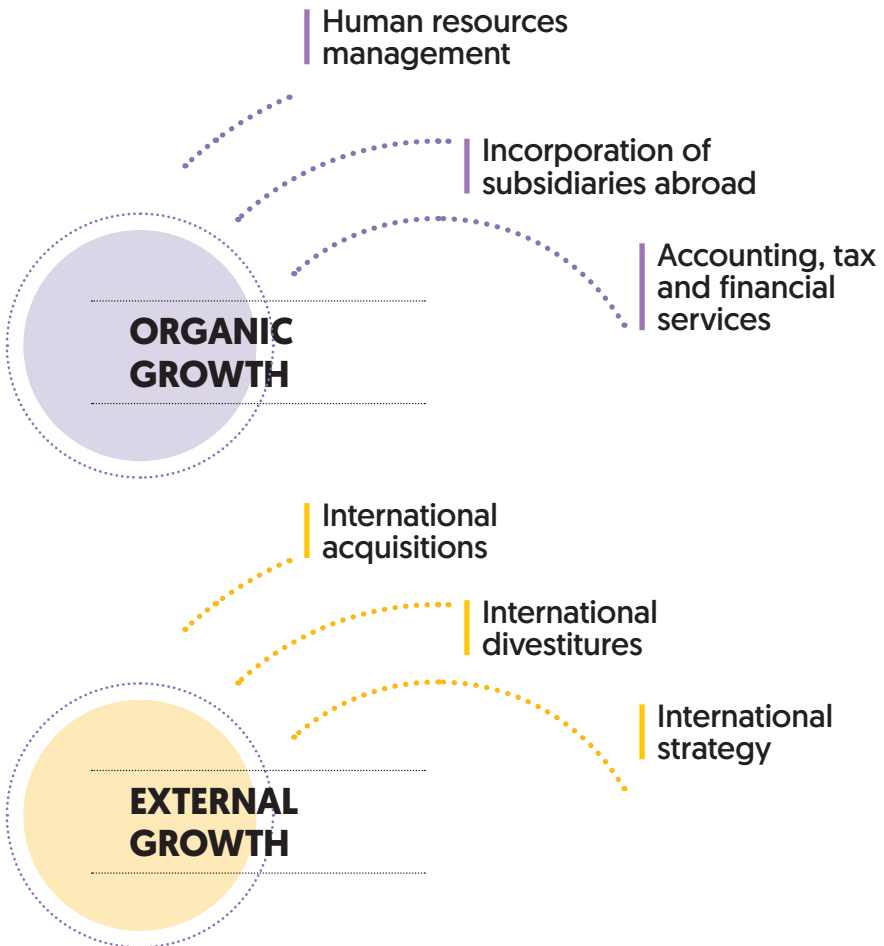
**37.6**

**Average number  
of working  
hours per week**  
according  
to collective  
agreements

# OUR EXPERTISE

## THE SPECIALIST IN SETTING-UP SUBSIDIARIES ABROAD

**No. 1** IN OUTSOURCED FINANCIAL, HR & LEGAL CORPORATE SERVICES FOR START-UPS, SMES AND SMALL GROUPS





## The specialist in creating subsidiaries abroad

We manage over **800 subsidiaries of French companies abroad.**



## Multiculturalism

**Multicultural experts** with perfect understanding of the French environment and local characteristics.



## Your international partner

**We support you in Europe, the United States, Brazil, Asia and North Africa.**



## A one-stop shop

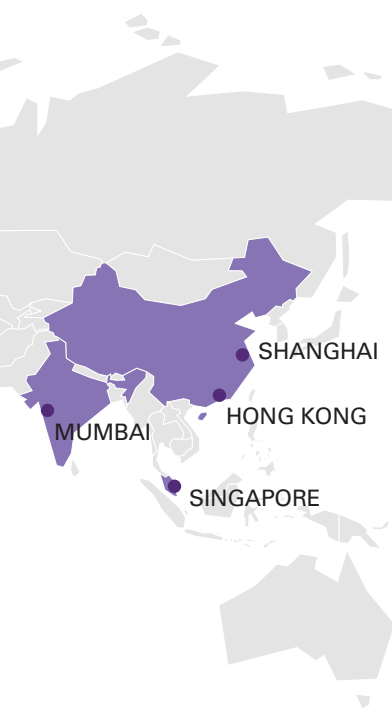
**To assist you in the administration of your subsidiary** (accounting, tax, HR, reporting, insurance, etc.).

# ABOUT US

## THE FRENCH LEADING CONSULTING FIRM FOR INTERNATIONAL DEVELOPMENT



Subsidiary of  **GROUPE BPCE**, a cooperative bank and insurance group present in more than 40 countries and 2<sup>nd</sup> leading bank in France.



**+1,000**

companies supported annually

**13**

countries

**17**

offices

**130**

bicultural experts and  
professionals worldwide

## OUR DISTRIBUTION NETWORKS



Because you cannot improvise  
when it comes to setting-up operations abroad



**Contact in  
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A rectangular box with a thin black border and a light purple background. On the left side, there is a line-art icon of three buildings of varying heights and a small cloud above them. To the right of the icon, the text 'Contact in Germany' is written in a bold, dark blue font. Below this, a light purple rectangular area contains the contact information in a dark blue font: 'Savignystr. 43', '60325 Frankfurt am Main', and '+49 69 92 00 72 55'. The box is flanked by horizontal dotted lines.

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