FOUNDER JOURNEY // GERMANY

code_n

How to start a company in Germany

From first idea to running business. Six phases every venture goes through, written through, written for young teams and international founders.

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GUIDANCE, NOT LEGAL ADVICE

HOW TO USE IT

How to use this deck

As a map

Six phases show what comes when. You do not need to grasp all of it at once, jump into the phase you are actually in.

As a reference

Legal forms, taxes, funding sources and public offices are each summarised on one page. German terms are kept alongside the English ones.

Not as advice

Figures, thresholds and rates change. For a binding binding decision you need a tax adviser and, where where relevant, a lawyer or notary.

> The most important rule first: **Incorporating is the last step, not the first.** Validate first, then see the notary. notary.

THE JOURNEY

Six phases to your own company

01

Idea & model

Sharpen problem, customer and business model.

02

Ambition & team

What kind of company do do you want to build?

03

Legal form

Weigh liability, capital and and effort.

04

Incorporation

Notary, register, offices, offices, bank account.

05

Tax & obligations

What has to be done continuously.

06

Funding

Equity, grants, debt.

SETTING EXPECTATIONS

How long does it take?

Rough figures from practice. The paperwork is rarely the bottleneck, validation is.

Validate the idea	1–6 MONTHS
Settle team & shares	2–6 WEEKS
Decide the legal form	1–2 WEEKS
Notary to registration	2–6 WEEKS
Offices & tax number	2–8 WEEKS
Grant / first round	3–12 MONTHS

01

PHASE

Idea & business model

PHASE 01 · STARTING POINT

It starts with a problem

The idea is not what matters, the problem behind it is. Good ventures ventures begin with an observation: something works badly, costs too costs too much, takes too long or is too complicated, and somebody somebody suffers measurably from it.

So the core question is never "is my idea good?" but: **Who pays for this pays for this problem to disappear, and how much?**

QUESTION 01

Whose problem is it exactly?

QUESTION 02

How do they solve it today, and what does that cost them? them?

QUESTION 03

Why now? What has changed?

PHASE 01 · MILESTONE 1

Problem-Solution-Fit

Goal: prove the problem is real and your approach fits it. No code, no company needed.

HOW TO TEST IT

_011 15–20 interviews with people who actually have the problem. Ask problem. Ask openly, do not pitch.

_02 Ask about their current workaround and what it costs them. them.

_03 Landing page or clickable prototype to make interest measurable.

_04 Collect prepayments or letters of intent. That is the hardest evidence there is.

GREEN LIGHT

Several people describe the same problem independently, and have already spent money or time trying to fix it.

RED LIGHT

"Cool idea, I would use it." Politeness is not a buying signal. Do not move on without evidence of behaviour.

PHASE 01 · MILESTONE 2

Product-Market-Fit

Goal: your offer solves the problem measurably better than the alternative, and customers stay.

Repeat purchase

Customers come back without being reminded.

Referral

Users tell others about it and organic growth begins.

Willingness to pay

You can hold or raise the price without without losing customers.

Unit Economics

A customer brings in more over time than acquiring them costs.

> Before product-market fit the mode is **search**. Afterwards: **execute**. Scaling too early only burns money faster.

How big is the market really?

TAM
Total market
Everyone who could theoretically have the problem.

SAM
Addressable market
Your segment, your region, region, your channel.

SOM
Realistic within 3 years
What you can actually actually win.

Build it bottom up

Number of possible customers × realistic price × purchase frequency. Not "1 % of a billion-euro market", that convinces nobody.

Name the competition honestly

Your strongest competitor is usually Excel, paper, or "we have always done it this way". "We have no competition" means you have not understood the market.

Six building blocks that must fit together

A business model is not a product description. It is the logic that turns value into money.

_01

Value proposition

What value do you deliver that does not exist elsewhere?

_02

Customer segment

For whom exactly, and who decides on the the purchase?

_03

Channels & sales

How do you reach those customers repeatably?

_04

Revenue model

One-off, subscription, licence, commission, commission, usage?

_05

Cost structure

What is fixed, what is variable, and when do do you break even?

_06

Resources & partners

What must you master yourselves, what do do you buy in?

PHASE 01 · DOCUMENTS

Business case or business plan?

BUSINESS CASE

Does it pay off?

The basis for a single investment decision, comparing the options.

Scope, objective and boundaries

Cost and investment items

Monetary benefits and savings

Non-monetary opportunities and risks

Key figures and comparison of alternatives

BUSINESS PLAN

How do we get there?

The full document for banks, funding bodies and your own team.

Business model and customer value

Market, competition, marketing, sales

Value creation and investments

Financial and cash flow planning

Team, legal form, risks

PHASE 01 · STRUCTURE

Structure of a business plan

01 **Executive Summary**
Two pages, written last.

02 **Product & customer value**
Idea, business model, differentiation.

03 **Market & competition**
Size, segments, competitors.

04 **Marketing & sales**
Price, channels, acquisition cost.

05 **Value creation & investment**
What do you do yourselves, and what does that require?

06 **Financial & cash flow planning**
36 months, monthly detail in year 1.

07 **Risk assessment**
What can go wrong, and what is plan B?

08 **Legal form & formalities**
Structure, permits, IP rights.

09 **Team**
Who can do what, and what is still missing?

In practice: 15–25 pages plus a financial annex.

Does the investment pay off?

Four simple methods cover most early decisions. They work with average figures for a typical year.

Cost comparison

Which option is cheaper? Only useful if the benefit is identical.

Profit comparison

Which option yields the higher profit or contribution margin?

Return on capital

Profit relative to the capital employed, employed, the return.

Payback

After how many months is the outlay earned back?

LIMITS

Static methods ignore the time value of money and risk. For larger sums add the dynamic methods: net present value and internal rate of return.

REMEMBER

A euro today is worth more than a euro tomorrow. Investors give something up now and expect a premium for it.

02

PHASE

Ambition & team

PHASE 02 · AMBITION

What kind of company are you building?

This decision comes before all others. It determines legal form, funding and pace. No type is better than another, but they partly exclude each other.

_01

Lifestyle

Making a living from your your passion. Known customer, known product. product.

_02

Small Business

Feeding the family. Local Local market, usually without outside debt.

_03

Scalable

Built for growth. Needs Needs risk capital. This is is what "startup" usually usually means.

_04

Buyable

Designed from day one to one to be sold. Often apps and web products. products.

_05

Social

Solving a social problem, problem, profitably or as as a non-profit.

Searching is not executing

A startup is a temporary organisation searching for a repeatable business model. A company executes a model it has already found. Confusing the two modes is fatal.

SEARCH

Startup mode

Hypotheses instead of a plan

Short experiments, fast correction

Few processes, plenty of improvisation

Success = learning per week

Funding: own money, grants, angels

EXECUTE

Company mode

Plan and budget instead of hypotheses

Repeatable processes

Roles, processes, metrics

Success = revenue and margin

Funding: loans, VC rounds, cash flow

PHASE 02 · TEAM

Who needs to be on board?

Investors bet on teams, not on ideas. These four areas should be covered, not necessarily by four people.

Problem & market

Someone knows the industry from the inside and has access to customers.

Building

Someone can actually build the product, not just describe it.

Selling

Someone goes out, talks to customers and closes deals.

Numbers & law

Someone keeps an eye on cash, contracts and deadlines, or buys that in.

> Warning sign: three founders with identical profiles. Second warning sign: nobody wants to sell.

Shares, vesting, shareholders' agreement

Most ventures fail over conflict inside the team, not over the market. Put it in writing before any money arrives.

Splitting shares

Not by who had the idea, but by future contribution: time, capital, risk, critical skills. Having had the idea alone does not earn 50 %.

Build in vesting

Shares are earned over typically four years with a one-year cliff. Someone who leaves early does not take half the company with them.

Reserve for later

Keep 10–15 % free for future employees and share option programmes.

WHAT THE AGREEMENT MUST COVER

- Share split and vesting rules
- What happens on exit (good leaver / bad leaver)
- Decisions: what needs a majority, what needs unanimity
- Non-compete and confidentiality
- Who owns the IP: the company, not the individual
- What happens in a dispute: mediation, buyout, valuation

A shareholders' agreement costs four figures once. A dispute without one costs the company.

Side project or full time?

SIDE PROJECT

Alongside a job or studies

No pressure on income

Slower, but low risk

Check your employment contract, side work often must be declared

If you study, watch health insurance and working-student status

FULL TIME

All in

Required for most grants and investors

Much faster to market

Needs 12–18 months of living-cost buffer

Grants such as EXIST replace a salary for a while

RECOMMENDATION

Validate first, then jump

Validation works as a side project. Once you Once you have paying customers or a funding commitment, going full time makes makes sense. Before that it is usually unnecessary risk.

EVIDENCE FIRST, THEN JUMP

03

PHASE

Choosing the legal form

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Three families of legal form

The decisive difference is not the name, but who is liable and how profits are taxed.

FAMILY 01

Sole proprietorship

One person, own name

No share capital

Full personal liability

Income tax

Includes freelancers, small traders and the registered merchant (e.K.).

FAMILY 02

Partnerships

At least two people

No share capital

Partners are personally liable

Income tax per partner

GbR, OHG, KG. In a KG only the general partner has unlimited liability.

FAMILY 03

Corporations

A separate legal person

Share capital required

Liability limited to the company

Corporate income tax

UG, GmbH, AG, SE. The only sensible family for startups with investors.

PHASE 03 · LEGAL FORM

Five forms compared

	SOLE PROP.	GbR R	UG G	GmbH H	AG G
FOUNDERS	1	from 2	from 1	from 1	from 1
SHARE CAPITAL	none	none	from €1	€25,000	€50,000
LIABILITY	personal, unlimited	personal, joint and several several	limited	limited	limited
NOTARY & REGISTER REGISTER	no	no	yes	yes	yes
TAX	Income tax	Income tax	Corporate tax	Corporate tax	Corporate tax
GOOD FOR	Solo start, freelancing	First team, cooperation	Little capital, GmbH later	Standard with investors	Large rounds, IPO

Sole proprietorship

SOLE PROPRIETORSHIP

One person runs the business in their own name, for their own account and at their own risk. By count the most common legal form in Germany, and the fastest way to legally generate revenue.

FOR	AGAINST
No capital required	Full liability with private assets
No notary, no register	No shares, no investors
A business registration is enough	Progressive income tax
Simple bookkeeping is allowed	Does not scale with you

SPECIAL CASE: LIBERAL PROFESSIONS

Doctors, lawyers, architects, journalists, designers and similar listed professions do not run a commercial trade.

No business registration

No local trade tax

No mandatory chamber membership

Registration with the tax office only

The tax office decides the classification. If in doubt, clarify beforehand.

PHASE 03 · IN DETAIL

GbR, civil law partnership

CIVIL LAW PARTNERSHIP

At least two people pursue a common purpose. It forms without any formality, a handshake is enough. That is exactly the danger: many teams are a GbR without knowing it, and are liable accordingly.

FOR

Formed instantly and for free

No capital, no notary

Good for project cooperations

AGAINST

Everyone is liable for everything, including the others' mistakes

No structure for investors

Hard to separate in a dispute

JOINT AND SEVERAL LIABILITY

A creditor may choose whom to pursue, and will pick whoever has the most private assets. That person has to pay and then claim it back internally.

IF GbR, THEN WITH A CONTRACT

A written partnership agreement covering contributions, profit split, decisions and exit rules. Since 2024 a GbR can voluntarily register as an eGbR, which creates clarity towards third parties.

PHASE 03 · IN DETAIL

UG (limited liability)

ENTREPRENEURIAL COMPANY · "MINI-GMBH"

To the outside world a GmbH, just with less starting capital. Introduced as the as the German answer to the English Limited. It can be formed with one euro of one euro of share capital, but realistically you should pay in €1,000–3,000 so the 3,000 so the company can cover its own formation costs.

FOR

Liability limited as in a GmbH

Very low capital hurdle

Can be converted into a GmbH at any time time

AGAINST

The reserve requirement ties up profits

Less established with banks and VCs

Contributions in kind are not allowed

THE RESERVE REQUIREMENT

25 %

of the annual profit must stay in the company as a statutory reserve until share capital reaches €25,000. Only then can profits be fully distributed or the company converted into a GmbH.

In practice: if you plan a funding round, incorporate as a GmbH straight away. If you bootstrap, start as a UG.

PHASE 03 · IN DETAIL

GmbH

LIMITED LIABILITY COMPANY

A separate legal person acting through its managing directors. The The expected form for startups taking investment: shares are clearly clearly allocated and easy to transfer.

Share capital capital	**€25,000**
Of which paid in before registration	**€12,500**
Founders from from	**1**
Contributions in kind possible possible	**yes**

BODIES

The shareholders' meeting decides, the managing directors run the business. A business. A supervisory board is optional, mandatory above 500 employees. employees.

MANAGING DIRECTOR LIABILITY

Limited liability is not a free pass.

Managing directors must apply "the care of a prudent businessman". Breach that and they are personally liable despite the GmbH.

Filing for insolvency too late

Failing to remit taxes or social contributions

Making payments while insolvent

Touching the share capital

So: check cash weekly and never let a deadline slip.

When special forms are worth it

AG

Stock corporation

€50,000 capital, an executive board and a supervisory board. Worth it for very large rounds or IPO plans, otherwise too much overhead.

GMBH & CO. KG

Hybrid form

A GmbH acts as general partner. Combines Combines limited liability with partnership partnership taxation.

gGMBH

Non-profit

A GmbH with a charitable purpose. Tax privileged, but profits cannot be distributed. distributed. For social ventures.

E.V.

Association

Seven members, no capital. For communities, communities, networks and cooperations, not cooperations, not for profit-driven ventures. ventures.

EG

Cooperative

Members are owners and users at the same same time. For energy projects, village shops shops and community-owned platforms.

SE / LTD

Europe & abroad

The SE allows a European structure. Since Brexit the English Ltd is unattractive for German ventures.

PHASE 03 · DECISION AID

UG or GmbH?

CHOOSE THE UG IF…

- ✓ you have less than €25,000 available
- ✓ you bootstrap and plan no funding round
- ✓ you still want limited liability
  liability
- ✓ profits will stay in the company anyway
  anyway

Convertible into a GmbH at any time later, with another notary appointment.

CHOOSE THE GMBH IF…

- ✓ a funding round is on the horizon
- ✓ you work with banks or corporates
- ✓ profits are meant to be distributed
- ✓ contributions in kind are involved
  involved

Investors expect a GmbH. Converting a UG right before a round costs time costs time at the worst possible moment.

Merchant status, company name, trademark

Merchant status

Anyone running a trade of commercial scale is a merchant under the German Commercial Code, with registration in the commercial register and commercial accounting.

Corporations always are

Small traders below the threshold are not

It means stricter rules and less consumer-style protection

The company name

The "Firma" is the name you trade under, not the the business itself.

The legal form suffix is mandatory (GmbH, UG haftungsbeschränkt)

It must not be misleading

It must be distinguishable, the chamber checks it for free

Trademark & domain

A commercial register entry does not protect a trademark. They are separate registers.

Search the German trademark register before choosing a name

Secure the domain and social handles at the same time

File the trademark before you spend money on branding

04

PHASE

The incorporation path

Eight steps to registration

1 Articles of association

Standard template or bespoke articles.
articles.

2 Notary appointment

Notarisation. With an interpreter if you do not speak German.
German.

3 Account & payment

Pay in the share capital, send proof to the notary.
notary.

4 Commercial register

The company only exists once it is registered.
registered.

5 Business registration

At the municipal trade office.
office.

6 Tax office

Questionnaire via ELSTER, then your tax number.
number.

7 Chamber of commerce

Mandatory membership, free advice.
advice.

8 Social insurance

Accident insurance, plus an employer number if needed.
needed.

> Between notarisation and registration you are a **GmbH in formation ("i. G.")** . You can act, but the founders remain personally liable during that window.

01 STEP · ARTICLES OF ASSOCIATION

Standard template or bespoke articles?

STANDARD TEMPLATE

Standardised & cheap

Maximum 3 shareholders, 1 managing director

Cash formation only

Considerably lower notary fees

Articles, appointment and shareholder list in one document

Good for solo founders and simple set-ups.

BESPOKE ARTICLES

Flexible & investor-ready

Any number of shareholders

Vesting, transfer restrictions, pre-emption rights

Contributions in kind possible

Special rights and advisory board rules

Essential as soon as several founders, vesting or investors are involved.

At the notary

What happens there

The articles are read out and notarised

Managing directors are appointed

The shareholder list is drawn up

The register filing is prepared

What to bring

All shareholders in person, or a notarised power of power of attorney

Valid ID card or passport

Tax identification number

Company name, registered seat, business purpose

Amount and split of the share capital

Worth knowing

Notary fees are set by law, shopping around does not help

Online notarisation is now possible

Without sufficient German an interpreter is mandatory

Keep the business purpose broadly worded

Common mistake: a business purpose worded too narrowly. Every change later needs another notary appointment.

03 STEP · ACCOUNT & SHARE CAPITAL

Opening the business account

After notarisation but before registration the account is opened for the "company in formation". You then pay in the share capital and send proof to the notary. Only then does the filing go to the register.

GmbH: minimum to pay in	**€12,500**
UG: full payment required	**100 %**
Recommended UG amount in practice practice	**€1,000–3,000**

Important: share capital is not blocked money. After registration the company may use it for operations, it just cannot be paid back to the shareholders.

THE USUAL TIME SINK

Opening the account often takes longer than everything else.

Banks require identification of every shareholder

With foreign shareholders the checks take considerably longer

A German address is usually a precondition

Digital business banks are faster, traditional banks offer loans later

Tip: request appointments at two banks in parallel as soon as the the notary date is set.

Commercial register and business registration

COMMERCIAL REGISTER · LOCAL COURT

The birth of the company

The notary files, the local court registers. Only on registration does the GmbH or UG exist as a legal person and does limited liability take effect.

Duration: a few days to several weeks

Publicly accessible

Every change of seat, name or management must be filed

TRADE OFFICE · CITY

The licence to do business

A form, your ID and the register extract. Usually done in 15 minutes, minutes, often online. The trade office automatically notifies the tax the tax office, the chamber and the accident insurance body.

Fee: usually €20–60

Some activities need a permit: food service, crafts, financial brokerage, security

Liberal professions register only with the tax office

06 STEP · TAX OFFICE

Tax registration questionnaire

The most important paperwork of the whole process. It runs through ELSTER and determines how you are taxed. Have your tax adviser review it.

WHAT IT ASKS FOR

- Activity and start date
- Expected revenue and profit for years 1 and 2
- Small business VAT scheme: yes or no
- Accrual or cash VAT accounting
- Bank details for refunds and direct debit
- Whether you need an EU VAT ID

WHAT YOU GET BACK

Tax number for all tax returns

EU VAT ID for business within the EU

BE CAREFUL WITH THE FORECAST

Your revenue estimate determines whether you file VAT monthly or quarterly and how high your prepayments are. Estimate too high and it costs cash, too low and you face back payments.

Chamber, accident insurance, your own cover

Chamber of commerce or crafts

Mandatory membership for traders. The chamber contacts you by itself.

The fee depends on profit

Small earnings are often exempt in the first years

Free start-up advice, use it!

Accident insurance body

Statutory accident insurance. Registration within a within a week of incorporation is mandatory.

Your industry body is responsible

Contribution based on payroll and risk class

Applies even without employees

Your own cover

As a self-employed person you organise your own provision.

Health insurance: voluntary statutory or private

Pension: usually not mandatory, but sort it out anyway

Check business and professional liability insurance

With your first hire you add: **an employer number** from the employment agency, payroll, social insurance registration and monthly wage tax filings.

PHASE 04 · BUDGET

What incorporation costs

Rough figures, excluding share capital. Notary fees are set by law and scale with the amount of share capital.

ONE-OFF COSTS

Notary, standard template	**from approx. €300**
Notary, bespoke articles	**€800–2,000**
Commercial register entry	**€150–250**
Business registration	**€20–60**
Lawyer for the shareholders' agreement	**€1,500–5,000**
Trademark filing (DE, 3 classes)	**from €290**
Realistic total	**€700–3,000**

ONGOING COSTS

Bookkeeping / tax adviser	**€100–500 / month**
Annual accounts	**€800–3,000 / year**
Business account	**€0–30 / month**
Chamber fee	**€0–500 / year**
Insurance	**variable**

Budget the formation costs out of the share capital. That is why you should not start a UG with one euro.

05

PHASE

Tax & obligations

How the tax system thinks

DEFINITION

A tax is a payment of money **with no entitlement to anything in return** , **return** , imposed by a public authority to raise revenue. That is what what separates it from fees and charges, where you do get something something concrete.

THREE QUESTIONS FOR ANY TAX

SUBJECT	Who owes it?
OBJECT	What is being taxed? taxed?
RATE	How much, and is it flat, linear or progressive?

PRINCIPLES

Ability to pay

Those who can afford more pay more. The basis of progressive income income tax.

Equal treatment

Identical situations must be treated identically.

Certainty

Date, type and amount must be clear in advance.

Decision neutrality

Ideally taxes would not distort business decisions. In practice they do, they do, which is why the choice of legal form also pays off in tax terms. tax terms.

Three types of business tax

_01

Taxes on profit

Income tax

Corporate income tax

Solidarity surcharge

Local trade tax

The most important group for you. It hits your your profit.

_02

Taxes on consumption

Value added tax

Real estate transfer tax

Energy and excise duties

You only collect it and pass it on. It is never your money.

_03

Taxes on assets

Property tax

Inheritance and gift tax

Vehicle tax

Rarely relevant for young companies, unless real estate is involved.

Who is taxed how?

The key difference: in partnerships the profit is attributed to the partners. Corporations are taxed in their own right.

LEGAL FORM	PROFIT TAX	PARTICULARITY
Sole proprietorship	Income tax	Trade tax applies to trades, liberal professions pay none none
GbR, OHG, KG	Income tax	Profit is recorded pro rata for each partner
UG, GmbH	Corporate income tax	The company pays itself; distributions are taxed again at shareholder level
AG, SE	Corporate income tax	Like a GmbH, with additional disclosure duties
GmbH & Co. KG	mostly income tax	Hybrid: liability like a GmbH, taxation like a partnership

Note: **double taxation in a GmbH** . First the company pays, then the shareholder pays on the distribution. If you reinvest profits, the corporation is the cheaper route.

PHASE 05 · WORKED EXAMPLE

€100,000 profit in a GmbH

Simplified example at a trade tax multiplier of 400 %. The multiplier varies considerably by municipality, which makes it a real location factor.

Profit before tax	**€100,000**
Corporate income tax 15 %	**– €15,000**
Solidarity surcharge 5.5 % on that that	**– €825**
Trade tax (3.5 % × 400 %)	**– €14,000**
Stays in the company	**€70,175**
Effective tax burden	≈ 29,8 %

IF PROFITS ARE DISTRIBUTED

On distribution the shareholder additionally pays **25 % capital gains tax gains tax** plus solidarity surcharge. The total burden then rises to roughly to roughly 48 %.

THE LEVER: THE MULTIPLIER

Between a big city and a neighbouring municipality there can easily be easily be several percentage points of difference. Factor it into your your location choice, but never decide on tax alone.

MANAGING DIRECTOR SALARY

A reasonable salary reduces profit and therefore corporate tax, but it has but it has to be at market level, otherwise the tax office treats it as a as a hidden distribution.

PHASE 05 · VALUE ADDED TAX

VAT is never your money

You collect it for the state and pass it on. VAT you have paid yourself can be deducted as input tax.

19 %

Standard rate

7 %

Reduced: food, books, culture

HOW IT ADDS UP

Collected from customers customers	**€1,900**
Input tax on purchases	**– €600**
Due to the tax office	**€1,300**

VAT RETURN

Monthly or quarterly via ELSTER, by the 10th of the following month. month. Young companies often file monthly. A permanent extension extension buys you one more month.

CROSS-BORDER

For services to businesses in other EU countries the reverse charge charge applies: you invoice without VAT but state both VAT IDs.

THE CLASSIC TRAP

The VAT you collected gets spent on running costs and is missing when missing when the return is due. Park it in a separate account.

PHASE 05 · SPECIAL SCHEME

Small business VAT scheme

If you stay below the statutory revenue thresholds you may invoice without VAT, and are treated like a private individual for VAT purposes.

USEFUL IF…

- ✓ your customers are consumers, your price looks cheaper cheaper
- ✓ you have hardly any investments or purchases purchases
- ✓ you want to keep admin to a minimum
- ✓ you are testing as a side project project

No VAT returns, simple invoices with a note about the scheme.

BAD IF…

- ✗ you sell to businesses, they do not care about VAT because they deduct it
- ✗ you have high initial investments, the input tax on them is lost
- ✗ you grow past the threshold quickly, switching mid-year is painful

LOCK-IN PERIOD

If you voluntarily switch to standard VAT you are bound to it for several several years. So do not make that call casually, and check the current current thresholds with the tax office or your adviser.

Bookkeeping, accounts, deadlines

SIMPLE CASH ACCOUNTING

The simple option

Income minus expenses. Allowed for freelancers and small traders below the statutory thresholds.

FULL ACCOUNTING

Mandatory for corporations

Double-entry bookkeeping with a balance sheet and profit and loss loss account. Always for UG and GmbH, regardless of size.

Publish the annual accounts in the Federal Gazette

Stocktake at the end of the financial year

THE ANNUAL RHYTHM

MONTHLY	VAT return, wage tax, social contributions
QUARTERLY	Prepayments on income, corporate and trade tax
ANNUALLY	Tax returns, annual accounts, disclosure, insurance filing
10 YEARS	Retention of invoices and books, digital is permitted

PRACTICAL TIP

Capture receipts digitally from day one and work with your tax adviser through an interface. Sorting receipts in January costs you twice: in fees and in nerves.

Law, contracts, insurance

These points apply from the first customer, not from the first employee. They take little time and protect you from cease-and-desist letters and expensive disputes.

01

Website and shop

- Imprint with a full postal address
- Privacy policy that names your actual tools
- Cookie consent before anything is set
- Terms of service, plus a right of withdrawal for consumers
- State prices including VAT

02

Data protection

- Record of processing activities
- Data processing agreements with every service provider
- Document your technical and organisational measures
- A deletion policy for customer data
- Know the reporting deadlines for data breaches

03

Contracts you need

- A written customer contract or order confirmation
- An NDA before any deeper conversation
- Articles of association with vesting
- Written IP assignment from every freelancer
- For software, check the licences of your components

04

Insurance

- Public liability as the baseline
- Professional indemnity if you advise clients
- Cyber cover as soon as you hold customer data
- Legal expenses cover for contract and labour law
- As a director, look at D&O cover

The imprint and the privacy policy are the most common trigger for cease-and-desist letters. Both are an afternoon of work.

Hiring your first employee

The moment you employ someone you become an employer. That triggers a chain of registrations that must be done before the first working day.

01

Before the contract

- Apply for a company number at the Federal Employment Agency
- Register with the relevant accident insurance body
- Sort out payroll, usually with your tax adviser
- Decide: full time, part time or mini job
- Budget including the employer contribution

02

The employment contract

- In writing, with role, pay and working hours
- Probation period of at most six months
- Fixed terms only with a reason or within narrow limits
- At least 20 days of holiday on a five-day week
- Clauses on side work, IP and confidentiality

03

Registrations

- Social security via the employee health insurance fund
- Monthly wage tax return to the tax office
- Contribution statements to the health insurance funds
- For non-Germans, check and document the work permit
- Comply with minimum wage and working time law

04

What it really costs

- Employer contribution of roughly 21 per cent on gross pay
- Levies and accident insurance on top
- Holiday and sick leave are paid time
- Budget around 1.25 times the gross salary
- Dismissal protection applies from eleven employees

> Alternatives before the first hire: working students, freelancers, mini jobs. Careful with freelancers: if you direct their work it can count as disguised employment.

06

PHASE

Funding

PHASE 06 · WHY IT MATTERS

"Cash, though, is to a business as oxygen is to an individual: never thought about when it is present, the only thing in mind when it is absent."

WARREN BUFFETT

Profit ≠ cash

You can be profitable and still insolvent if customers pay late.

Runway is what counts

How many months does the money last at the current burn rate? Below six it gets critical.

Ask early

Funding takes months. By the time you need it, need it, you are already late.

The funding matrix

Two questions classify every form of funding: where does the money come from, and what legal position does the provider hold?

	EXTERNAL FUNDING	INTERNAL FUNDING FUNDING
EQUITY Y	**Equity investment** Own contributions, friends & family Business angels, venture capital Crowdinvesting	**Self-financing** Retain profits Build reserves Bootstrapping from cash flow
DEBT	**Loan financing** Bank loans, KfW development loans Convertible loans, mezzanine Leasing, factoring	**From the revenue cycle** Customer prepayments Supplier credit Provisions

PHASE 06 · SOURCE 1

Stay close: the cheapest funding there is

"Sell high, buy low, pay late and collect early." Master your own payment cycle and you need far less outside money.

Bootstrapping

Tighten your belt, control spending

Reinvest cash flow directly

Use your own savings

A side job as a bridge

Upside: you keep 100 % of the shares and full freedom freedom to decide.

Friends, family & fools

Often starts with help covering living costs

Small amounts, fast commitment

Put it in writing, even with family

Possible as a loan or as equity

Risk: if it fails, the relationship is on the line too.

From the value chain

Customers: prepayments, annual licences, subscriptions, presales

Suppliers: negotiate longer payment terms

Crowdfunding: sell the product in advance

Double win: money *and* proof that someone pays.

PHASE 06 · SOURCE 2

Grants & scholarships

The best money there is: no shares, often no repayment. In exchange: applications, deadlines and evidence, and far more lead time than you expect.

FEDERAL

EXIST founder scholarship

For teams coming out of universities. Replaces a salary for around a year, plus material and coaching budget. Applications run through the university, so talk to the start-up office early.

BADEN-WÜRTTEMBERG

Junge Innovatoren & Start-up BW

State funding for research-based spin-offs, plus accelerators, competitions and competitions and coaching vouchers through Start-up BW.

RESEARCH & EU

Project grants

Grants for research and innovation projects, often as partial co-funding. Effortful, Effortful, but substantial for technology-driven ventures.

ADVICE & TRANSITION

Subsidies & start-up coaching

Subsidised consulting through state and federal programmes. Coming out of out of unemployment, a start-up grant from the employment agency is possible. possible.

Important: many programmes only fund you **before** incorporation. Incorporate first and look for grants later, and you often no longer qualify.

The funding landscape in Baden-Württemberg

The programmes that realistically apply to a venture at the Innovation Campus. Almost all of them run through L-Bank or your university, not through a direct application.

PROGRAMME	WHO AND WHAT FOR	ORDER OF MAGNITUDE	APPLY THROUGH
Start-up BW Pre-Seed	Innovative early-stage startups with a BW link and a supervising partner	**€160,000 state + co-investor, up to €320,000**	L-Bank
EXIST founder scholarship	University teams; replaces a salary for around a year plus plus material budget	**salary replacement, material and coaching coaching budget**	University / federal
Junge Innovatoren	Spin-offs from universities and research institutes in BW	**staff and material budget via the institution**	University / state
Innovationsgutschein Start-up BW	Companies under five years old, external R&D services and materials	**50 % of costs, max. €20,000**	L-Bank
Innovationsgutschein BW	Technology- and sector-agnostic, SMEs and startups	**50 % of costs, max. €7,500**	L-Bank
EXI start-up voucher	Subsidised advice **before** you incorporate	**up to 80 % of the consulting fees**	State of BW
Startfinanzierung 80	Low-interest loan for companies up to five years old	**up to €100,000, 80 % guarantee possible**	Your bank → L-Bank
MBG & Bürgschaftsbank BW	Equity stakes and guarantees when collateral is missing	**depends on the project**	Your bank

Amounts and conditions change every year. Check the current state with L-Bank, your university start-up office or Start-up BW, and file the application **before** you incorporate.

Federal funding programmes

On top of the state programmes there are federal ones. They are bigger but more formal. Applications almost always go through a project agency, not the ministry directly.

PROGRAMME	WHO AND WHAT FOR	ORDER OF MAGNITUDE	APPLY THROUGH
EXIST research transfer	Research-intensive spin-offs from universities, in two phases phases	**Phase 1 staff and material budget, phase 2 follow-on**	University → BMWK
ZIM	Market-oriented R&D, alone or with partners	**Grant per project, rate depends on company size**	AiF Projekt GmbH
go-inno	Innovation consulting by authorised advisers	**Grant on the consulting fee**	Authorised adviser
KfW ERP founder loan	Startgeld and Universell for new and young companies	**Low-interest loan, liability relief possible**	Your bank → KfW
INVEST	Grant for business angels who invest in your startup	**Acquisition grant paid to the investor**	BAFA, the investor applies
Micro-mezzanine fund	Small stakes without collateral, also for very small ventures	**up to €50,000, more in special cases**	State MBG

Federal programmes need lead time. Expect two to six months from outline to approval, and file the application **before** the project starts.

PHASE 06 · SOURCE 3

Debt: loans & guarantees

Development loans

Subsidised loans from KfW and state development banks, usually with repayment-free initial years. They are applied for **through your own bank**, not directly.

Guarantee bank

If collateral is missing, a guarantee bank can back part of the loan. That makes makes financing possible which the bank would otherwise reject.

Overdraft & investment loan

An overdraft for working capital is expensive but flexible. Investment loans run loans run longer and are secured by the asset itself.

YOU NEED A HOUSE BANK. FIND ONE EARLY.

WHY STARTUPS RARELY GET LOANS

Banks finance predictable cash flows and demand collateral. A startup has neither, it has hope and growth. That is a case for equity, not for debt.

WHAT THE BANK WANTS TO SEE

A robust three-year plan

An equity share, usually 15–20 %

Collateral or a guarantee

Experience in the field

For crafts, retail, hospitality and professional practices, however, a however, a loan is the normal route.

PHASE 06 · SOURCE 4

Between equity and debt

LEASING

Rent instead of buy

Useful for commodity goods: laptops, vehicles, machinery. Protects cash early on, but turns a one-off payment into a lasting obligation.

FACTORING

Sell your receivables

You sell open invoices and get cash immediately. Helps against long payment long payment terms, but is comparatively expensive.

MEZZANINE

The intermediate floor

Economically equity, legally debt: profit participation rights, silent partnerships, subordinated loans. Usually remunerated based on performance and without voting rights.

CONVERTIBLE LOAN

The startup classic

A loan that converts into shares at the next round. Upside: the valuation is valuation is deferred, notary effort is lower and money arrives fast. The The standard for angel investments and bridge financing.

PHASE 06 · SOURCE 5

Equity from outside

Business angels

VERY EARLY · "SMART MONEY"

Private individuals, often former founders

Smaller amounts, fast decisions

They bring network and experience

Often via convertible loans

The best first investor, provided they fit your industry. industry.

Venture capital

GROWTH STAGE

Funds using other people's money with a clear return return target

They expect very large markets and fast growth

They take board seats and require reporting

Some are backed by regional governments

Only suitable for scalable models with an exit perspective.

Private equity

LATE STAGE

Invests in established, profitable companies

Large amounts, often a majority stake

Also relevant for succession solutions

Not yet relevant for a new venture, but useful to know where the journey can lead.

PHASE 06 · THE PRICE

Equity is expensive

A loan costs interest and is eventually repaid. A share is gone forever, and gives the investor a piece of everything that comes after.
that comes after.

DILUTION OVER THREE ROUNDS

After incorporation — 100 %

After angel round (–15 %) — 85 %

After seed round (–20 %) — 68 %

After Series A (–25 %) — 51 %

Illustrative example. After three rounds founding teams often hold only about half, which is normal and fine as long as the pie grew accordingly.

What else comes with it

A say in major decisions

Regular reporting

An expected exit, usually within 5–8 years

Preference rights on a sale or liquidation

The right order

Own money and customer money first, then grants, then debt, and equity
and equity last. Every step you take beforehand improves your valuation.
valuation.

code_n

PHASE 06 · TIMING

Which money when?

Every source has its window. Approach a VC too early and you get a no that lingers.

PHASE	TYPICAL SOURCES	WHAT THE MONEY IS FOR
Idea	Own money, friends & family	Interviews, prototype, first tests
Pre-Seed	Scholarships, grants, first angels	Pay the team, build the MVP, win first customers
Seed	Angels, early-stage funds, convertible loans	Reach product-market fit, build sales
Series A and beyond	Venture capital, strategic investors	Scale, enter markets, grow the team
Established	Bank loans, cash flow, private equity	Investments, acquisitions, succession

The investor meeting

A first meeting rarely lasts longer than 30 minutes. It does not decide the investment, only whether there is a second meeting.

01

What belongs in the pitch

- The problem in one sentence
- The solution and what is new about it
- Market sized bottom up
- Traction, even small numbers
- Team and why it has to be you
- How much you need and what for

02

What they really ask

- Why now and not five years ago
- What if a corporate copies it
- How do you get customer number ten
- How are the shares split
- What does acquiring a customer cost
- How long does the money last

03

What kills a meeting

- Shares in the team not settled
- Market sized as a share of the world market
- Revenue plan with no assumptions behind it
- No cash flow plan
- Dodging instead of admitting
- Naming a valuation with no reasoning

After the meeting comes due diligence. Everything claimed in the pitch has to be provable with documents there.

Four myths about start-up capital

Myth	Reality
"You need a lot of money to start a company."	Most ventures start with very small sums. Capital needs arise from growth, not from starting.
"You have to look everywhere for capital."	Most founders finance themselves first. Outside capital comes later and on better terms.
"A VC is the goal."	VC only fits a few models. For most companies a sustainable cash flow is the better goal.
"Money solves the problems."	Money accelerates whatever is there, including a broken model. Without paying customers, capital only stretches the time until the end.

PHASE 06 · TOOL

The cash flow plan

One spreadsheet, 18 months, updated monthly. The most important instrument you have, and it costs nothing.

THE ROWS

Opening bank balance

+ Payments received from customers
customers

+ Grants, loans, capital contributions

− Payroll including social contributions
contributions

− Rent, software, materials, marketing
marketing

− VAT payment to the tax office

− Tax prepayments, loan repayments, interest

= Closing balance, never below zero

THREE SCENARIOS

Optimistic, the plan

Realistic, what you work with

Pessimistic, 50 % less revenue, 30 % higher costs

THE TWO QUESTIONS IT ANSWERS

Runway: How many months does the money last?

Need: How much do I need to reach the next milestone, plus buffer?

Rule of thumb: start fundraising while you still have 9 months of runway.

EXTRA

FOUNDING FROM ABROAD

For international founders

EXTRA · STEP 1

Residence & work permit

This is the first item, not the last. Tackle it late and you lose months.

EU / EEA / SWITZERLAND

Clear path

No work or residence permit required

You can incorporate like a German citizen

Only address registration is required

Professional qualifications are usually recognised

Incorporating without a German residence is possible too, but the company then needs a domestic registered seat and reachable management.

NON-EU COUNTRIES

Permit required

Residence permit for self-employment (§ 21 AufenthG)

They assess economic interest, funding and the viability of the concept

Assessed by the immigration office, often with a chamber opinion

Students and graduates of German universities have easier routes

Careful: an existing permit for study or employment does **not automatically** allow self-employment. Get it clarified first.

EXTRA · STEP 2

Registration, tax ID, bank account

A chain: each link needs the previous one. Miss one and everything stops.

01

Flat & registration

Register your address at the citizens' office within two weeks of moving in. You need a landlord confirmation for it.

02

Tax ID

Arrives automatically by post after registration. Needed at the notary and and the tax office. Not to be confused confused with the later tax number.

03

Personal account

Requires the registration certificate and and ID. Without a German account every further step gets sticky.

04

Business account

Opened for the company in formation formation after the notary appointment. appointment. With foreign shareholders shareholders the checks take longer, so longer, so plan a buffer.

A business address is enough for the registered seat. Coworking or a desk on campus will do. Pure mailbox addresses are increasingly rejected by banks and authorities.

EXTRA · STEP 3

Documents, translation, interpreter

Certified translation

Foreign-language documents must be translated by translated by sworn translators.

Passport or ID card

Birth or marriage certificate if required

Register extracts for foreign corporate shareholders

Apostille & legalisation

Foreign public documents often need confirmation confirmation of authenticity.

An apostille for Hague Convention states

Otherwise legalisation via the embassy

Obtaining them at home takes weeks, start early

Interpreter at the notary

Anyone who does not sufficiently understand the contract must bring an interpreter. That is not a formality, it is a condition of validity.

The notary reads the entire contract aloud

The interpreter translates live and is recorded

Some notaries work with bilingual versions

Raise it when booking, the notary often arranges it.

EXTRA · SEQUENCE

The sequence decides

HOW IT WORKS OUT

01	Clarify residence and permit
02	Register your address
03	Wait for the tax ID, open a personal account
04	Get documents translated and apostilled
05	Choose the legal form, prepare the articles
06	Notary appointment with interpreter
07	Business account, share capital, commercial register
08	Trade office, tax office, chamber

TYPICAL PITFALLS

Notary booked but the tax ID has not arrived

Company incorporated but the permit does not allow self-employment

The bank refuses because there is no German address

Documents from home requested too late

WHERE TO GET HELP

The chamber of commerce, free initial advice, also in English

University start-up offices

Welcome centres and municipal economic development

Start-up BW and the Innovation Campus

FROM PRACTICE

Pitfalls and antidotes

COMMON MISTAKES

- ✗ Confusing cash with profit. Cash is the oxygen.
- ✗ Leaving the shareholders' agreement for "later". Shares and vesting belong at the start.
- ✗ Treating VAT as your own money.
money.
- ✗ Giving away equity too early when grants were available.
available.
- ✗ Underestimating director duties. Limited liability is not a free pass.
- ✗ Wording the business purpose too narrowly. Every change costs a notary appointment.

ANTIDOTES

- ✓ An 18-month cash flow plan, updated monthly.
monthly.
- ✓ A tax adviser from day one. Cheaper than any correction.
correction.
- ✓ Use the free advice from the chamber, universities and Start-up BW.
BW.
- ✓ Validate first, incorporate second. Customer interviews before the notary.
notary.
- ✓ Start as a UG if capital is tight. Converting stays an option.
- ✓ Park VAT in a separate account.

GLOSSARY · DE / EN

Terms you will keep running into

GERMAN	ENGLISH
Handelsregister	commercial register
Gewerbeanmeldung	business registration
Stammkapital	share capital
Gesellschaftsvertrag	articles of association
Gesellschafter	shareholder
Geschäftsführer	managing director
Haftung	liability
Notar	civil law notary

GERMAN	ENGLISH
Umsatzsteuer	value added tax (VAT)
Vorsteuer	input tax
Körperschaftsteuer	corporate income tax
Gewerbesteuer	local trade tax
Jahresabschluss	annual financial statement
Eigenkapital	equity
Fremdkapital	debt capital
Wandeldarlehen	convertible loan

TO TICK OFF

The incorporation checklist

BEFORE INCORPORATION

- ☐ 15+ customer interviews done
- ☐ Willingness to pay proven
- ☐ Business model on one page
- ☐ Team and roles clarified
- ☐ Shares and vesting agreed
- ☐ Funding programmes checked
- ☐ Legal form decided
- ☐ Company name and trademark researched
- ☐ 18-month cash flow plan

INCORPORATION

- ☐ Articles or standard template chosen
- ☐ Notary appointment, with interpreter if needed
- ☐ Business account opened
- ☐ Share capital paid in and evidenced
- ☐ Commercial register entry done
- ☐ Business registered
- ☐ Tax registration questionnaire submitted
- ☐ Tax number and VAT ID received
- ☐ Accident insurance registered

AFTER INCORPORATION

- ☐ Tax adviser engaged
- ☐ Digital bookkeeping set up
- ☐ Separate VAT account
- ☐ Legal notice and privacy policy online
- ☐ Terms and template contracts reviewed
- ☐ Business liability insurance in place
- ☐ Own health and pension cover sorted
- ☐ Trademark filed
- ☐ Deadline calendar set up

NEXT STEPS

Start small. Start now.

THIS WEEK

Have ten conversations with possible customers. Test the problem and the willingness to pay.

THIS MONTH

Decide the legal form, check funding programmes, build the cash flow plan.

AFTER THAT

Notary, account, register, offices. And make your your first revenue.

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