

Doing business in Germany



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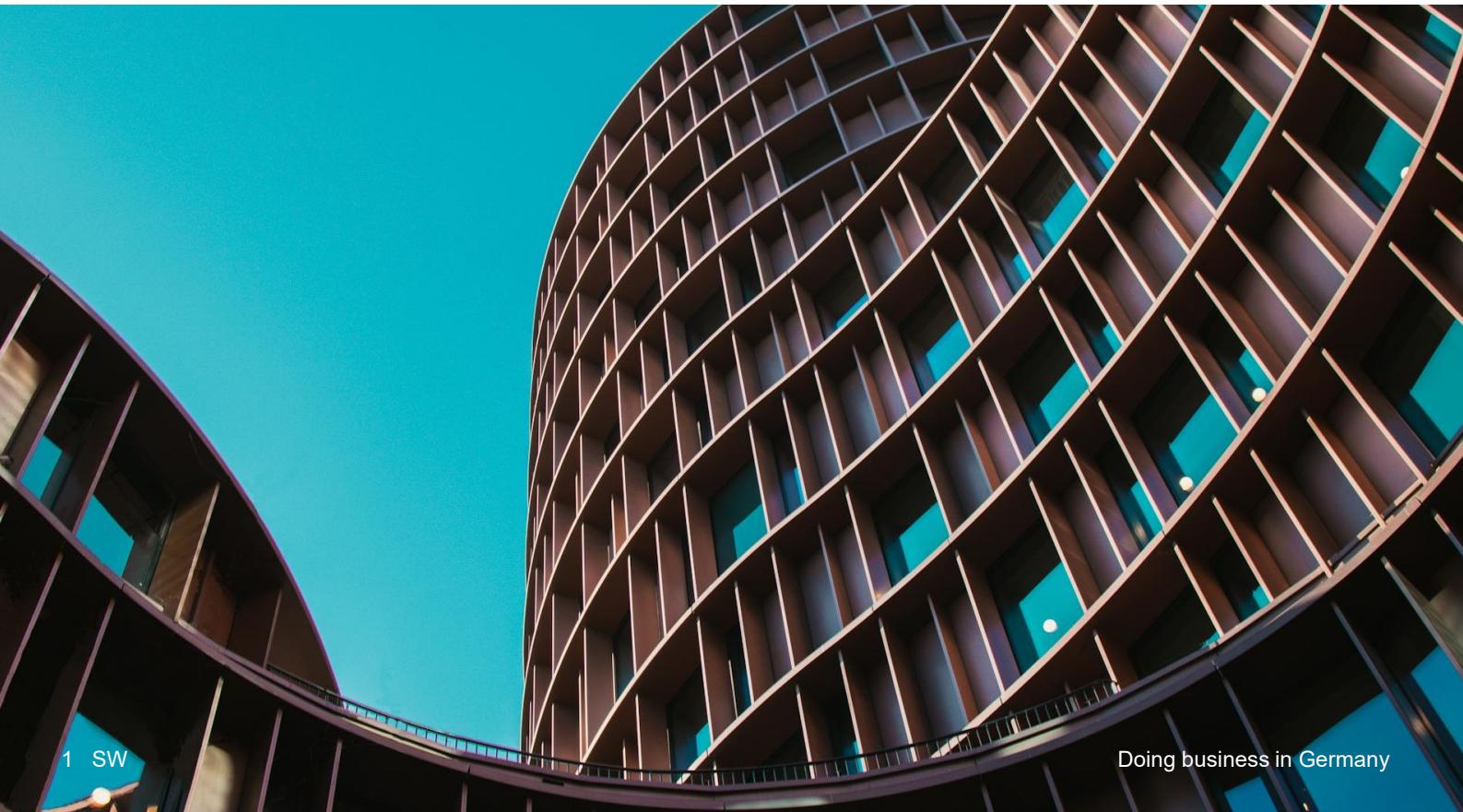
Introduction

The purpose of this Guide is to offer a comprehensive overview of the key elements that define the business landscape in Germany. It provides essential knowledge and insights required to establish and successfully operate a business in Germany. Germany is renowned for its strong legal framework based on civil law, its central location in the heart of Europe, and its reputation for industrial excellence and innovation. As the largest economy in the European Union, Germany provides attractive opportunities for corporations, entrepreneurs, startups, and investors from around the world.

This guide will support your strategic planning and investment decisions with up-to-date, relevant information. It serves as an essential resource for navigating the regulatory environment, understanding market conditions, and leveraging the unique advantages that Germany offers — helping to position your business for long-term success in a competitive global market.

This publication provides an overview and should not be used as a substitute for professional guidance specific to the reader's particular circumstances. The information contained in this Guide is derived from a variety of sources and is accurate, to the best of our knowledge, as of the date of production (Jan 2026). However, laws and regulations are subject to change at any time.

Neither SW International Limited nor any of its member firms shall be liable for any actions taken or omitted based on the contents of this publication. We advise readers to consult with specialists in SW member firms of each region.





Snapshot of Germany



Key facts and Market Highlights

Central-Europe

Location

357,588 square kilometers

Land Area

84.74 million approximately

Population in mid-2024

44.4 million

Labour force (2023)

4.527 billion U.S. dollar

GDP (2023)

EUR

Currency

German/ English

Language

The Federal Republic of Germany, a founding member of the European Union (EU) is a federal state, a democratic state, a constitutional state, a welfare state, and a republic.





European Financial Hub

Germany, particularly through Frankfurt am Main, stands as one of Europe's leading financial centers. As the seat of the European Central Bank (ECB), Deutsche Bundesbank, Deutsche Börse, and numerous global financial institutions, it plays a vital role in shaping international financial activities. Combined with the German regulatory framework overseeing insurances and retirement schemes, named institutions take a part in making Germany a guarantee for a secured business start withholding major opportunities. This strong financial environment supports businesses of all sizes in raising capital, managing financial risks, and accessing a wide range of financial services.

EU Business - Bridging between European countries

Located at the center of the European continent, Germany has 9 neighboring countries, more than any other European country. Alongside a total of 27 European countries, Germany is characterized by diversity. A shared history of international trade, guest-working as well as the migration of refugees led to not only a multicultural but also multilingualistic hub, harboring numerous possibilities. Moreover, cross-cultural business and trade relations are facilitated through cross-border EU regulations which allow your entity extensive market access, thus proving to be beneficial for future business plans. Long standing trade relations with the People's Republic and further progression in international trade supported by the Belt and Road initiative promise ever more opportunities for your visions.

Pursuing Innovation

Known to the world as a strong innovative state in the fields of engineering, automotive as well as the chemical (pharma) industry, Germany can provide your future business with a platform merging historical knowledge, new innovations and strong European and international business relations. Backed up by a historically renowned education and career advancement system including the invitation of multi-cultural professionals, Germany is constantly nurturing the future market and puts great emphasis on shared achievements towards a promising innovation-driven future.

European Tax System

Although Germany is known for its complex tax system, business is facilitated through EU regulations whereas the legal system has its roots in Roman law. Nonetheless business and furthermore trading in the EU will require the support of tax consultants in the trading partners country. However, cross-country networks and long-standing relations with neighboring countries' tax consulting firms avoid possible tax pitfalls and ensure borderless communication with tax offices.

Reliable Legal System

Germany is a Federal State divided into 16 "states" (Bundesländer) whereas the source of the constitution the "Basic Statute" (Grundgesetz) is the foundation for the execution by the three pillars of Jurisdiction and Legislative, Execution tracing back to Roman law. The Federal State is further characterized by different levels of government, meaning that execution in local communities is directly overlooked by the district's government, the districts are to follow their respective states legislative, and every level is ultimately tied to the Federation itself.

Advanced Infrastructure

Germany's infrastructure is consistently ranked among the best globally, supporting efficient operations across all sectors. Germany's central position offers numerous transportation routes to neighboring countries. Transportation is further facilitated through numerous cargo routes, inland waterways and major airports in Frankfurt, Berlin and Düsseldorf. Ports near the North and Baltic Sea harbor possibilities of marine transportation.

Setting up a business in Germany

Company structures

Expanding into Germany will present your company with major challenges. Moreover, every company has different strengths and weaknesses, which calls for an individual approach.

In Germany, businesses can choose from several different company structures based on personal objectives and needs. The most important legal forms however include Corporations, Partnerships as well as a mixed form.

Sole Proprietorship (Einzelunternehmen)

- Simple formation and operation, no requirement for initial or minimum share capital.
- No formal registration in the commercial register (Handelsregister) and no need to keep detailed accounts.
- Operated by a single natural person who owns and controls entire business assets.
- Simplicity and ease of establishment make it suitable for small-scale businesses and freelancers.
- The owner is personally liable for all the debts and obligations of the business.
- A specific subcategory of Sole Proprietorship is “Eingetragener Kaufmann (e.K.)” which can be registered voluntarily in the commercial register and offers limited liability protection.

Partnership

- A partnership involves at least two people and has at least one partner who is personally liable for the company's liabilities with their private assets.
- There are three most important forms of partnership in Germany: Partnership under German civil law (GbR), General Partnership (OHG) and Private Limited Partnership (KG).
- The Partnership has no legal personality of its own. Ownership and control are shared among partners according to the partnership agreement.
- No minimum capital, however capital contributions from each partner are required.
- General Partnership and Private Limited Partnership must be registered in the commercial register of the local court.

Limited Liability Company (GmbH)

- It's the most widely used business form and suited for small/medium-sized businesses.
- The shareholders of Limited Liability Company will not be held personally liable with private assets.
- The Limited Liability Company must be registered in the commercial register of the local court with share capital of at least 25,000 euros.
- The company is managed by Managing Directors (Geschäftsführer) and owned by shareholders.
- As a legal entity, profits of Limited Liability Company are taxed at the corporate tax rate.
- The company name must contain the legal form or the abbreviation “GmbH”.

Public Limited Company (AG)

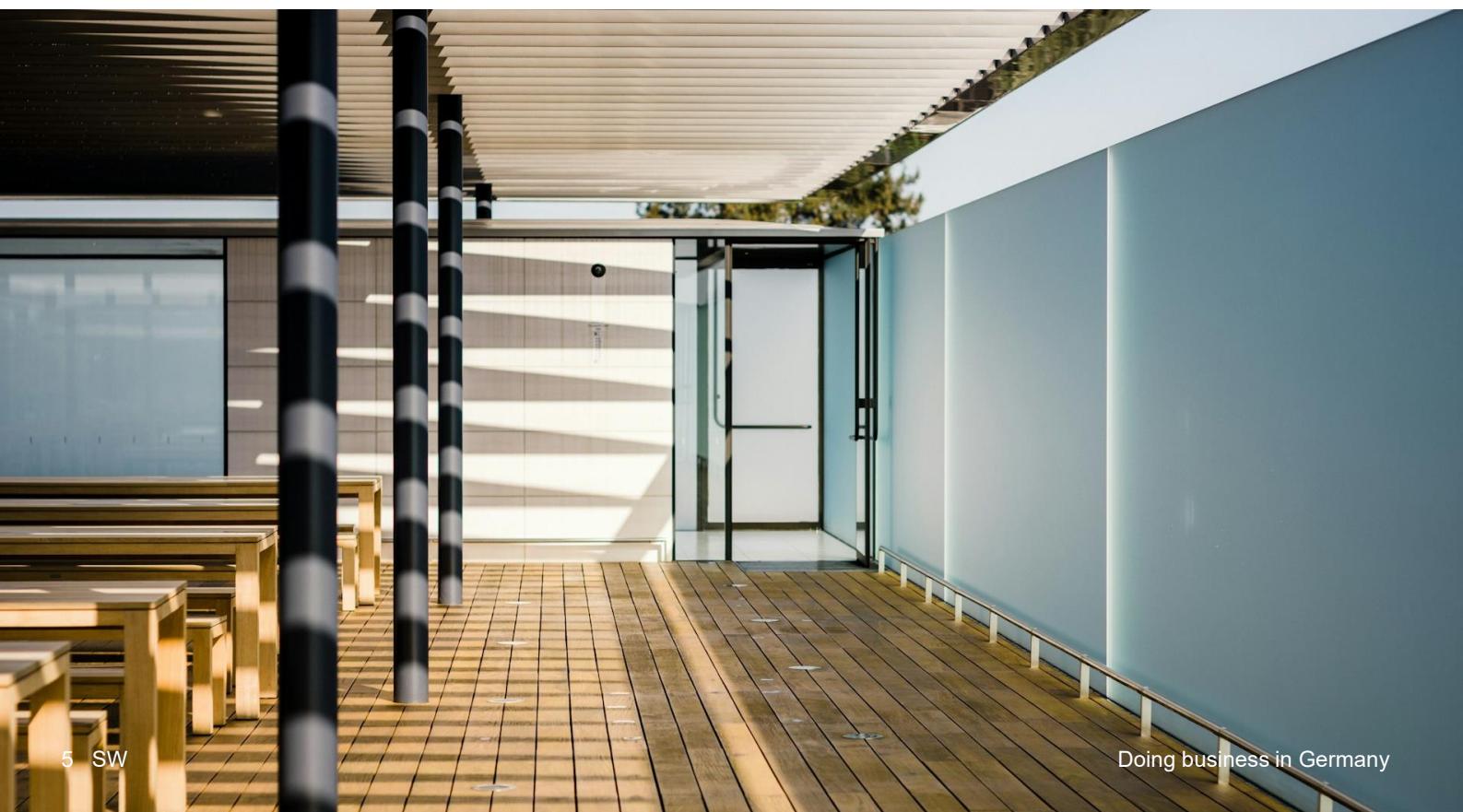
- The liability of Public Limited Company towards its creditors is limited to the company's assets.
- A minimum share capital of 50,000 euros is required for the registration of a Public Limited Company.
- Public Limited Company has the following corporate bodies: the Management Board, the Supervisory Board and the General Meeting of Shareholders.

Company Incorporation

Company Incorporation in Germany involves a structured multi-step process which includes interaction with various authorities and legal steps. Two main authorities are the Notary and Commercial Register of Local Court. The application for company registration and other supporting documents, including Articles of Association, list of shareholders and founding documents must be submitted in notarized form to the Commercial Register of Local Court.

Business Registration

After successful completion of company registration, the company must apply for registration with the Local Trade Office (Gewerbeamt) to obtain a trade license and apply for registration with the Tax Office (Finanzamt) to obtain a tax number.



Taxation

Germany has a comprehensive and highly regulated taxation system, based on the principle of fairness and the ability to pay. Generally, there are two taxes that German corporates have to pay: Corporate Income Tax and Trade Tax.

Corporate Income Tax (Körperschaftsteuer)

Every business in Germany is underlying Corporate Income Tax (Körperschaftsteuer), whereas the tax rate is understood as 15% in addition to 5.5% solidarity surcharge (Solidaritätszuschlag).

The solidarity surcharge is an additional fee applied to income tax, capital gains and corporate income tax in Germany. It's not a separate tax on income, but 5.5% on top of the corporate income tax owed. This results in a total tax rate of approximately 15.825%.

However, Germany is currently taking steps to strengthen Germany as an attractive business location, the Federal Government of Germany plans to reduce gradually the Corporate Income Tax rate, starting on January 1, 2028, from current 15 percent to 10 percent by 2032 (§ 23 paragraph 1 of the Corporate Income Tax Act – KStG). Meanwhile, a so-called "super depreciation" of 30% per year for three years (2025, 2026, 2027) will take effect.

Trade Tax (Gewerbesteuer)

Trade Tax is a municipal business tax on the profits of all commercial businesses operating in Germany. Depending on the business locations, the Trade Tax can amount to more than 15% in some cases.

When combining Corporate Income Tax and Trade Tax, the overall tax burden for German businesses typically amounts to approximately 30-32%.

Value Added Tax (Umsatzsteuer)

Value added tax is on distribution of services as well as the sale of goods. 19% is seen as the most standard form of VAT, but certain goods and services are subject to a reduced VAT rate of 7%. VAT is to be filed with the local tax authorities on a regular basis according to your entity's income.

Personal Income Tax (Einkommensteuer)

Income tax is calculated at progressive rates on your income, the following rates apply for the tax year 2025:

- Income up to €12,096 per year is tax-free.
- For income between €12,096 and €68,480, the tax rate increases progressively from 14% to 42%.
- A flat rate of 42% applies to income between €68,481 and €277,826.
- Income exceeding €277,826 is subject to the top tax rate of 45%.



Employment Policy

In Germany, working conditions are primarily governed by statutory laws, collective bargaining agreements, company-level agreements, and individual employment contracts. Labour law establishes the key provisions for employment relationships, defining the rights and obligations of both employers and employees.

Statutory Minimum Wage

In Germany, the minimum wage is regulated by law. In all cases, the employer must pay the applicable minimum wage. This applies regardless of whether you work for a German employer or a foreign employer. Since 1 January 2025, the gross minimum wage has been 12.82 euros per hour.

Rest Days, Holidays and Leave

Working hours: In standard market practice, daily working hours must not exceed 8 hours per day. The working hours may be extended to a maximum of 10 hours if not exceeding the daily working time of 8 hours on average within 6 months. Working on Sundays and public holidays is only permitted in exceptional cases.

Breaks: If employees work between 6 to 9 hours a day, they are entitled to a 30-minute break after no later than 6 hours. If employees work more than 9 hours a day, the break is extended to 45 minutes. Labour law prohibits taking the break at the end of the day's work in order to leave earlier.

Paid annual leave: When having a 5-days work week, employees are entitled to a minimum of 20 workdays paid statutory holiday per calendar year, whereas whilst working 6-days work week the statutory rest days must count a minimum of 24 days.

Sick leave: If employees have worked in a company for more than 4 weeks and become sick, they are entitled to payment of their regular wages up to 6 weeks from the employer. Sick days more than 3 working days should be proved by a doctor's certificate.

Mandatory Social Security Contributions

Germany has a well-developed system that provides people with financial security, for example in times of illness or unemployment. Social security contributions include the following types of insurance: statutory health insurance, statutory nursing care insurance, statutory pension insurance, statutory accident insurance and statutory unemployment insurance. The costs of mandatory social insurance are split evenly between employers and employees, with each party responsible for 50% of the total cost.



Financial Reporting & Audit

In Germany, companies are subject to strict accounting and financial reporting requirements that are primarily governed by the **German Commercial Code (Handelsgesetzbuch – HGB)**. Depending on the size, legal form, and international orientation of the company, financial statements may be prepared under HGB or International Financial Reporting Standards (IFRS).

HGB forms the cornerstone of statutory accounting in Germany. It applies to all commercial entities and requires the preparation of an annual financial statement consisting of a balance sheet (Bilanz), an income statement (Gewinn- und Verlustrechnung), and, for certain companies, notes (Anhang) and a management report (Lagebericht). The HGB emphasizes the principles of prudence (Vorsichtsprinzip), creditor protection, and historical cost accounting. As a result, the recognition of profits tends to be more conservative compared to international standards.

Importantly, the annual financial statements prepared under HGB are the basis for determining taxable income under German tax law. This means that, in general, the commercial financial statements directly influence the calculation of taxable profits, subject to specific tax adjustments where required.

Companies whose securities are listed on an EU-regulated market are required to prepare consolidated financial statements in accordance with IFRS as adopted by the European Union. IFRS focuses on providing a fair presentation of the company's financial position, performance, and cash flows for the benefit of investors and capital markets. It generally allows for earlier recognition of income and a stronger focus on fair value measurements compared to HGB.





However, even for IFRS reporters, standalone financial statements for statutory and tax purposes are still typically prepared under HGB.

In Germany, statutory audits are required for medium-sized and large companies as defined by the HGB size criteria (§ 267 HGB), based on balance sheet total, revenue, and number of employees. Small companies are generally exempt from mandatory audits. The statutory audit must be performed by an independent certified public accountant. The auditor's opinion focuses on whether the financial statements comply with applicable accounting standards and provide a true and fair view of the company's financial position.

Auditing and Assurance Standards

The Institute of Public Auditors in Germany (IDW) is a privately run organization established to serve the interests of its members who consist of both individual German Public Auditors and German Public Auditing firms. The auditing standards correspond to the internationally accepted ISA.

The IDW, together with the Chamber of Public Accountants (WPK), is currently a sponsoring organization of members of the International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants as well as IFAC's Small and Medium Practices Advisory Group.

Filing Requirements & Publication

All German companies subject to accounting obligations must file and publish their financial statements via the Bundesanzeiger (Federal Gazette). Non-compliance can lead to fines from BaFin (Federal Financial Supervisory Authority).

How SW can support you

SW Germany, headquartered in Frankfurt am Main, specializes in the fields of auditing, tax consultancy, legal advice and consulting and supports medium-sized companies of various sizes and legal forms in a variety of branches. Whether you are establishing a new business or expanding your existing business, with deep cultural understanding and language expertise, our team can help you with your business growth in the German market.

Our Service Offerings in Germany

We help our clients to implement projects from a legal point of view and in compliance with applicable (often complex) tax legislation. We will show you options on setting up or acquiring a company and support you in optimizing existing investments in Germany and Europe.

Key Services

Start-up Services

At SW Germany, we support entrepreneurs and international investors with a comprehensive range of start-up services designed to simplify their entry into the German market. Our team guides you through every step—from choosing the right legal form and developing effective tax strategies to handling company registration, visa applications, and HR advisory. With our expertise, you can focus on growing your business while we take care of the administrative and regulatory requirements.

Bookkeeping and Payroll Accounting

SW Germany offers comprehensive bookkeeping and payroll accounting services designed to ensure your financial records are accurate, compliant, and efficiently managed. We support clients with the preparation and audit of annual financial statements, ensuring compliance with German and international reporting standards.



Audit, Tax Advisory and Legal Services

SW Germany can offer a full spectrum of Audit, Tax Advisory, and Legal Services tailored to meet the needs of businesses operating in Germany and internationally. With our multidisciplinary expertise, we provide reliable guidance to help your business stay compliant, efficient, and strategically positioned for growth.



Corporate Finance and Management Consulting

SW Germany provides expert Corporate Finance services to support businesses through every stage of their financial growth and transformation. Our offerings include company valuation, financial and tax due diligence, structuring and securing financing, as well as comprehensive M&A consulting. We also assist clients with ESG consulting to align with sustainable investment standards and provide strategic guidance on IPO preparation and execution. With our deep market knowledge and analytical expertise, we help you make informed decisions and achieve long-term financial success.

Reach out to the SW local team today to see how best we could accelerate your growth for shared success.

About SW

SW is a global accounting and advisory network, with our member firms dedicated to connecting and collaborating to meet your locally, nationally and internationally.



Around 12,000 people



640+ partners



103+ offices



22 regions



USD 736 million
revenues of the year of 2024



**21st in terms of
fee income***



**18th in terms of
total headcount ***

SW Germany has been one of the leading professional service firms since its establishment in 2018. As part of the DORNBACH Group, we can draw of 800 professionals in 20 offices in Germany.

Integrating China/Asia and Europe

SW Germany has a deep understanding of business market and the local compliance regulations in Germany. Through our professional accounting, tax and legal advisory services, we have helped many clients with their business growth in Germany. Meanwhile, we also help German or European companies with their expansion in China/Asia by overcoming linguistic and cultural obstacles.

Highly Integrated Management Framework

Our highly integrated management framework fosters seamless communication and coordination across teams, offices, and service lines – both within Germany and internationally. This framework is built on strong communication channels, standard processes, and a collaborative culture that allows us to deliver consistent, high-quality service to our clients.

A Team of Experts

SW Germany is co-headed by a multilingual team of experienced professionals and further strengthened by specialized and experienced partners in audit, tax, M&A and valuation. Our linguistically diverse staff will help our clients to overcome the linguistic and cultural hurdles. In this respect, we see ourselves as translators in a global world, helping our clients to combine the best of both cultures for their success.

*Rankings of top 30 networks globally according to the World Survey 2024 of International Accounting Bulletin (IAB).

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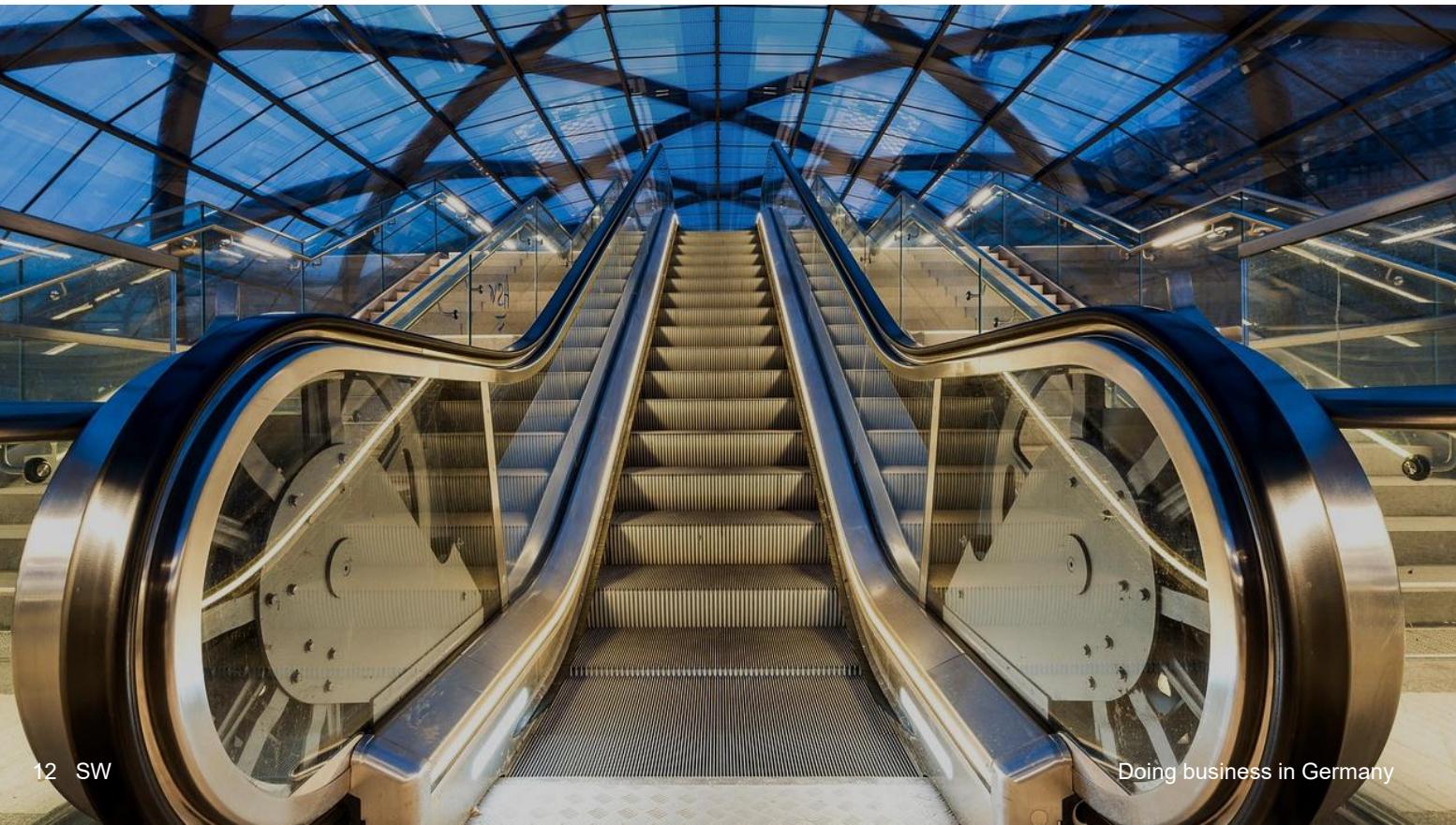
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