

QUICK CHECKLIST

LIMITED LIABILITY COMPANY (GMBH) IN GERMANY

1. The widely used types of companies in Germany are: the limited liability company (GmbH) and the stock corporation (Aktiengesellschaft, abbreviated AG).
 - The GmbH can be contrasted with the English Ltd., private limited company.
 - The AG can be contrasted with the English Plc., public limited company.
 - Naturally, there are substantial legal divergences between the German and the English counterparts.
2. The most flexible, 'cheap' and popular (in particular with SMEs) corporate form is the GmbH. The AG is often used by large, international or listed companies.
3. Contrary to the Companies Act 2006, GmbH and AG are regulated by two different statutes. The provisions of the statute that regulates the GmbH (GmbH-Gesetz or Limited Liability Companies Act) are available [online in English](#).
4. The GmbH can be formed by a single subscriber, who can be a person or a company. The subscriber does not have to be a German national.
5. The shareholders are generally the supreme decision-makers for the company. They take all important decisions impacting upon the company. The articles of association or the shareholders' agreement can expand the scope of their statutory decision-making rights; for instance, directors might be required to get the prior approval of the shareholders for specified types of decisions. The shareholders' meeting can give directors binding instructions.

6. The directors manage the day-to-day business of the company and represent the company.
7. To form the GmbH, an application must be submitted to the Commercial Register. The Commercial Register cannot be compared with the English Companies House, since its remit is much broader. The application to register a GmbH is made by filing the following core documents with the Commercial Register:
 - The articles of association made in notarial form, i.e., certified by a notary (Notar). The shareholders enjoy a substantial leeway in determining the decision-making process and the inner workings of the company. The minimum contents of the articles of association are prescribed [in s. 3](#) of the Limited Liability Companies Act.
 - The shareholders' resolution appointing the managing directors.
 - A list of shareholders that indicates the family name, given name, date of birth and place of residence of those shareholders as well as the nominal values and the consecutive numbers of each of the shares and the relevant percentage interest in the share capital.
8. Further documents can be required and statements have to be made, cf [s. 8](#) of the Limited Liability Companies Act. After the GmbH has been entered into the Commercial Register, the formation is completed. The registration process can require several weeks.
9. When time is crucial, a shelf company can be purchased with the additional advantage that it already has a bank account.
10. The minimum share capital is EUR 25,000. A minimum of EUR 12,500 has to be paid up into the company's account before registration.

11. Instead of the GmbH, an entrepreneurial company (Unternehmergeellschaft, abbreviated UG) with the minimum share capital of EUR 1 can be formed. It is basically a GmbH with the difference that its business name must bear the designation UG (haftungsbeschränkt) and it is legally required to accumulate reserves (one quarter of the annual surplus minus any losses carried forward from the previous year) until it reaches the minimum share capital of EUR 25,000, upon which it is deemed to be a GmbH. The UG is typically deployed as a holding company in Germany.

12. The costs of formation of a GmbH depend on the amount of the company's share capital and are at a minimum around EUR 600. The costs can be borne by the company.

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