Setting up a business in the state of Brandenburg

A guide to setting up your business
CONTENT

What are my skills? 6

Important personal qualities 7
Examples for success factors 7
Important professional qualifications 7
Success factors in the profile of the person setting up a business 8

What do I want? 10

Example motives for setting up a business 10
Examining your ideas – An overview 11
It all starts with a business concept 11

What am I? 14

Self-employed 14
Freelancers 14
Tradespersons 15
How is a tradesperson identified? 15
Setting up a business as a secondary job 15
Trades requiring authorisation and permits 16
List of trades requiring a permit: 16
Foreigners setting up a business 16
Business registration 17
What does the trade office require notification of? 18
Craftspeople 18
Skilled trades requiring authorisation 19
Skilled trades not requiring authorisation and activities similar to the skilled trades 20
Mixed operations and subsidiary skilled trade operations 20
Which legal form do I choose?

Commercial operation or small business enterprise?
Indications that the operation is organised in a business-like way
Entry in the commercial register?
Selected legal forms and their distinctive features
The sole proprietorship (Einzelunternehmen)
The civil law partnership (GbR)
The general commercial partnership (OHG)
The limited partnership (KG)
The limited liability company (GmbH)
The provisional company with limited liability (UG)
The registered cooperative (eG)

How do I call myself?

Sole proprietorship and GbR
Companies and company names
Key criteria for forming a company
Other aspects to consider

What taxes do I have to pay?

Taxes you must know about
Turnover tax / value-added tax (VAT)
Small entrepreneur regulation
Income tax
Tax on wages
Trade tax
Corporation tax

Whom do I have to think about?

Chamber of Commerce and Industry (IHK)
TV and radio licence fee of ARD, ZDF and Deutschlandradio
GEMA
Which insurance do I need? 42

Personal insurance 42
Company insurance cover 46
Social security for employees 48

How do I plan? 50

From the business model to the business plan 50
Fundamental elements of a business model 50
The role of a business plan 51
How do I start a business plan? 52
Making a good first impression with your business plan 52
What should my business plan include? 52

What should I expect? 56

Capital requirement and investment planning 56
Investment plan 57
Profitability forecast 58
How to calculate your annual, private expenses 58
How to get the profitability forecast 59
Liquidity planning 61
Financing 63
Minimum requirements for public funding 64

Who can help me? 68

Point of contact for people setting up a business at the IHK Cottbus 68
Point of contact for people setting up a business at the IHK Ostbrandenburg 69
Point of contact for people setting up a business at the IHK Potsdam 70
Selected web sites for the state of Brandenburg 72

If internet sites offered by the providers in English they are used in links as far as possible. However, some links can only refer to German-language websites.
You have made the decision to set up your own business in the state of Brandenburg. We would like to congratulate you on your decision. For your future business activities to be well-organised, well-structured and successful, it is very important that preparation for the business start-up be comprehensive and considered. It is not necessarily essential that you have all the qualities or know everything about setting up a business from the outset, but you should carry out a realistic self-assessment of your strengths and weaknesses before beginning with self-employment and analyse exactly the opportunities and risks of your plans. Ultimately, you should clearly define measures to compensate for any remaining shortcomings and to minimise risks.

When preparing to set up your business, it is important for all organisational, content-based and administrative requirements which are essential for setting up the business and carrying out entrepreneurial activities to be assembled. Proceeding from this, you should consider which know-how, knowledge and experience you have at your personal disposal and in which areas you require advice or support from professionally qualified partners.
Important personal qualities

Successful entrepreneurs have some typical qualities. For example, they are self-disciplined, determined, inventive, able to organise and aware of risks. "Achievers" are also generally able to communicate well, verbally and in writing. A resilient social environment also plays an important role.

Examples for success factors

<table>
<thead>
<tr>
<th>Self-discipline</th>
<th>Realistic self-assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determination</td>
<td>Readiness for action</td>
</tr>
<tr>
<td>Originality</td>
<td>Ability to work under pressure</td>
</tr>
<tr>
<td>Inventiveness</td>
<td>Health</td>
</tr>
<tr>
<td>Ability to organise</td>
<td>Creativity</td>
</tr>
<tr>
<td>Awareness of risks</td>
<td>A sense of responsibility</td>
</tr>
<tr>
<td>Ability to communicate</td>
<td>Support from family</td>
</tr>
<tr>
<td>Ambition</td>
<td>Support from friends</td>
</tr>
</tbody>
</table>

Important professional qualifications

Personal qualities, along with commercial and professional know-how, form the fundamental requirements for any successful entrepreneurial activity. This also applies for any self-employment and enterprise! In the beginning, setting up a company requires more than just knowing the basics of business; you must also be able to apply them. With a bit of effort, you can get by here with a bit of healthy common sense. It is fine to
ask for advice in the case of specific questions, but it is you who should have the financial overview and not your tax adviser. Entrepreneurs must also know their market and how to find and deal with customers. A lack of qualifications can often be balanced out with seminars and courses, even with financial support provided. The regional pilot services in Brandenburg provide support on the path to business start-ups. The state of Brandenburg’s training guidelines provide support for entrepreneurs seeking qualifications.

**Success factors in the profile of the person setting up a business**

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General commercial training</td>
</tr>
<tr>
<td>Professional qualifications (apprenticeship, degree, training, seminars)</td>
</tr>
<tr>
<td>Professional experience (in various positions and companies)</td>
</tr>
<tr>
<td>Sector-specific, specialist knowledge</td>
</tr>
<tr>
<td>Knowledge of administration (business as well as political)</td>
</tr>
<tr>
<td>Networking with players in the market</td>
</tr>
</tbody>
</table>
You clearly wish to start your own business or are seriously considering it. Realistic self-assessment also includes being clear about your motives in setting up a business.

If you wish to set up a business from a place of unemployment, a series of unsuccessful job applications should not be the decisive or sole incentive. Not being able to find a position of employment should by no means be the basis for your decision to become self-employed. Setting up a business due to a “lack of alternatives” has a bad record almost everywhere. Upon close consideration, the goal “I want to earn as much money as possible” is also a poor motive. From an economic perspective, money is actually a means and not an end. It is repeatedly shown in practice that money can only provide short-term motivation, particularly against the backdrop of the enormous physical and psychological challenges of self-employment. If in doubt, take stock once more and explore your motives. One goal of your business activities should always be: Deliver value to the customer!

**Example motives for setting up a business**

<table>
<thead>
<tr>
<th>Asserting your own ideas</th>
<th>Remuneration in keeping with performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-determination</td>
<td>Power</td>
</tr>
<tr>
<td>Freedom</td>
<td>Prospects</td>
</tr>
<tr>
<td>Reputation</td>
<td>Thirst for adventure</td>
</tr>
</tbody>
</table>

When first examining your business concept, you should perform detailed research and not shy away from talking to friends and relatives about it. In order to increase awareness for bringing forth a business concept, it is useful to pay attention to three factors.
Examining your ideas - An overview

Is there a gap in the market? This is about registering which products or services you or people in the surrounding area have unsuccessfully looked for.

What is the trend? Take note of innovative business models which are catching on and being imitated.

What istechnologically possible today? Small technical advances linked with new situations can open major new areas of business.

It all starts with a business concept

The business concept forms the basis of your start-up. Developing your own idea, as opposed to a bought or borrowed idea, is usually the most sensible solution. It may be a brainwave or require longer preparation as a development process. There is no one ideal business concept for everyone. Firstly, people have differing requirements and secondly, an idea which could be used by everyone would not be a good business concept. Ideas do not usually spring from a quiet corner in your own home, but from observing the market carefully. The following approaches could help you in the development of your idea:

- Use of existing ideas in your own region. What am I confident that I can do and how can I also use an existing business concept without simply copying it? What do I dislike about the idea and what could I do better?

- Visits to trade fairs can help to provide stimulus. This could be a start-up fair, an inventor’s fair or even a sales fair. They are often helpful for identifying current trends. However, trade fairs with new ideas do not usually take place on your doorstep.
- Ideas are also provided in brochures and online.

- Another way of going on holiday to somewhere other than the beach: Looking for ideas in faraway places. What ideas have I seen in other countries which, slightly altered, could be possible in my region? Ideas to be bought or borrowed.

Another way of setting up your own business is reusing the tried-and-tested ideas of others in return for a fee. It is a crucial advantage that these concepts may guarantee a slightly greater chance of a successful business start-up. One disadvantage is that these ideas cost money, which may occur in manifold ways. There may be an entry fee, ongoing fees, a promotional fee, “only” an obligation to accept with the exclusion of further additional purchases, or all of the above conditions. Dependency on those who came up with the idea is often also an issue. Independently reusing someone else’s idea is frequently known as franchising.

You usually have to pay or accept goods and comply with certain conditions which are set out in a franchise contract. If you have decided to set up a franchise company in particular, you should take note of the following factors:

- Do you have direct competition at your location? (Protected territories in the contract!)
- Does the franchisor stipulate the prices for you?
- Is the price for the products or services feasible at the site?
- How long has the franchisor been successfully active?
- Are you allowed to sell other goods?
- Will you undergo preparation for setting up the business, alongside other franchisees?
- Does the franchisor offer advice and help if there are difficulties?
- Are the entry fee and ongoing fees appropriate?
- What are the contract deadlines and conditions in the event of a contract termination?

Franchisors can often be found at special franchising trade fairs, in vendor catalogues (sample copies can usually be found at the chambers of commerce) and via the Deutscher Franchise-Verband [German Franchising Association] or Deutscher Franchisenehmer Verband [German Franchisee Association].
Self-employed

When people talk about professional self-employment, they mean generating an income at one’s own financial and social risk. There may be no dependent employment relationship with the client, which means that the self-employed person is not subject to another person’s instructions and not incorporated into the client’s work organisation. The latter factors are especially significant if you are clearing up any suspicions of pseudo self-employment.

Example: You work for one client over a long period of time in the early stages of your self-employment, which is often the case. The social security providers may nevertheless suspect pseudo self-employment, which is something you will have to refute. For this reason, it is important that you use the Deutsche Rentenversicherung Bund clearing office to inform yourself in the early stages and in detail, or you and your regular client may find yourselves paying the price!

Freelancers

The freelance category generally includes self-employed people who perform scientific, artistic, writing-related, educating and teaching activities. Typical freelance professions include doctors, lawyers, tax advisers, business consultants, journalists, artists and scientists. It is important that the freelancer is not subject to the Gewerbeordnung [German Trade, Commerce and Industry Regulation Act], so no registration of the business is required. Therefore, applying for a tax number from the competent inland revenue office constitutes the formal beginning of a
freelancer’s self-employment. If in doubt, the competent inland revenue office will also decide whether the intended professional activity is to be performed on a freelance or commercial basis.

**Tradepersons**

The principle of free enterprise applies in Germany, which means that anyone is allowed to pursue a trade as long as there are no legal exceptions specified or restrictions authorised.

*How is a tradeperson identified?*

<table>
<thead>
<tr>
<th>You are a tradeperson if your work is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>on a self-employed basis</td>
</tr>
<tr>
<td>permanent, i.e. with the intention to repeat and continue</td>
</tr>
<tr>
<td>performed with the intention of earning a profit and</td>
</tr>
<tr>
<td>the work is neither an independent profession nor primary production</td>
</tr>
<tr>
<td>(agriculture, forestry, fishing, etc.) and not socially frowned upon or</td>
</tr>
<tr>
<td>forbidden (e.g. organ trafficking).</td>
</tr>
</tbody>
</table>

*Setting up a business as a secondary job*

While many people setting up a new business enter full-time self-employment with their idea, setting up a business as a secondary job is also very common. This is the case if a self-employed activity which is not the main occupation is performed alongside an occupation which takes up more time, for example being employed, a house husband, studying or during a period of unemployment. A secondary occupation on a self-employed basis is subject to the same statutory rules as those which apply for setting up a full-time business. It is necessary, for example, to
register a trade with the Ordnungsamt [regulatory agency] in the district in which your place of business is located. The same applies if you are taking up freelance work and the competent inland revenue requires notification of it. However, there are differences in setting up a full-time business regarding funding possibilities and social security, for example.

**Trades requiring authorisation and permits**

If there are restrictions to free enterprise, then they are generally to be found in areas where the common good, health or safety of the population could be put at risk. In order to pursue a trade such as this, special authorisation from the authorities which goes beyond a mere trade registration is generally required. To this end, the authorities regularly require evidence of personal reliability and well-ordered finances. Some professions also require a certificate of competence and skills. In individual cases, special business premises conditions must be met.

*List of trades requiring a permit:*

- Temporary employment agencies, machine installation, construction supervision, building contractors, guard work, brokering loans, driving schools, brokering financial investments, financial services, restaurants with alcohol licensing, holding competitions, road haulage, trade in pesticides, trade in vertebrates, trade in weapons, wholesale pharmaceutical trade, fee-based investment consultation, estate agents, debt-collection offices, patient transportation, market trading, vehicle hire, bus services, pawnbrokers, podiatrists, postal services, legal advice, pest control, debt advisory services, amusement arcades, taxi services, insurance consultation, brokering insurance, payment services.

**Foreigners setting up a business**

In principle, the right to unrestricted free enterprise applies for German citizens. Members of an EU member state or of the European Economic Area (EEA; Iceland, Liechtenstein, Norway) are on equal terms with German citizens, so also enjoy the freedom of establishment and may set up a company or carry on a trade under the same conditions as Germans. They do not, therefore, require any special residence permit.

Citizens of all states outside of the EU may only carry on a trade if they have a residence permit which allows them to pursue self-employment in Germany. People setting up companies and entrepreneurs who do not yet possess the corresponding residence permit must have successfully
applied for one before beginning their work. The application must be filed with the competent German diplomatic mission (embassy, consulate) in the country of which the applicant is a habitual resident. If the applicant already has a (different) residence permit (please note: tourist and business visas are not sufficient!), the application must be filed with the competent Ausländerbehörde [foreigners' department]. Citizens of so-called "preferred states" (Australia, Israel, Japan, Canada, the Republic of Korea, New Zealand, the USA) may also file an application in Germany to be issued with a residence permit authorising self-employment in accordance with Section 21 Aufenthaltsgesetz [German Residence Act].

The application must be submitted with a convincing business concept (business plan and finance plan, etc.) to the competent authority (Ausländerbehörde or German diplomatic mission). These documents will be used to examine whether

- there is an economic interest or regional need
- the activity is expected to have a positive impact on the economy and
- financing of the implementation is secured with equity capital or credit approval.

The competent authority can only issue a corresponding residence permit when this has taken place and all other formal conditions are met.

**Business registration**

Before beginning your commercial activity, you must notify the competent Gewerbeamt [trade office] responsible for the location of the future place of business of your trade. You must be able to present your identification card or passport and, if applicable, any necessary permits. Several persons (i.e. partnerships) who wish to carry on a trade together must provide joint notification of this. If notification of incorporated companies (GmbH [limited liability company], UG [entrepreneurial company], AG [joint-stock company]) is being provided, the commercial register extract must also be submitted. The inland revenue, employer's liability insurance associations, IHK [Chamber of Commerce and Industry] and/or Handwerkskammer [chamber of crafts] will also be informed of the business registration. Although the employer's liability insurance association generally learns of the company start-up automatically via the business registration, this does not release you from the statutory reporting obligation according to Section 192 SGB [German Social Code] VII. This states that entrepreneurs – regardless of whether they employ staff – are
obliged to report to the competent employer’s liability insurance association within one week, providing information on the type of company and its line of business, the number of insured parties and the company’s starting date. In order to accelerate registration with the inland revenue, you may also provide notification of the establishment of the business at the inland revenue office itself. The Gewerbeamt [trade office] does not only require notification of the beginning of the trade activity; it requires notification of any changes.

**What does the trade office require notification of?**

<table>
<thead>
<tr>
<th>Notification Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>The initial commencement of a commercial activity</td>
</tr>
<tr>
<td>Please note: The date on which you actually begin implementing your plan, e.g. hire your shop, enter the market with acquisitions or employ staff, is considered the date on which you commence business operations.</td>
</tr>
<tr>
<td>The establishment of other business premises (even in the same locality), in particular the operation of a branch office or dependent branch.</td>
</tr>
<tr>
<td>The relocation of the business premises (even within the locality)</td>
</tr>
<tr>
<td>A change of activities</td>
</tr>
<tr>
<td>The expansion of activities to different areas (e.g. a bookseller who sells wine)</td>
</tr>
<tr>
<td>The installation of machines</td>
</tr>
<tr>
<td>The abandonment of operations</td>
</tr>
</tbody>
</table>

**Please note:**

The single point of contact for the state of Brandenburg offers a comprehensive range of information on various subject areas:

- Requirements, procedures and formalities for commencing and performing
- Service activities;
- An overview of the various legal forms;
- Contact data for the competent authorities;
- Conditions for access to public registers and databases;
- Available legal remedies in the event of disputes;
- Contact details for supporting associations and organisations;
- Contact information for consumer protection.

**Craftspeople**

The crafts are a commercial activity and the Ordnungsamt must therefore be notified of this kind of trade. The term craftspeople generally refers to
those members of a profession who provide certain services upon request and/or manufacture products on order. The craft industry is regulated in a binding manner by the Handwerksordnung (HWO) [German Crafts Code]. Before performing a skilled trade or activity similar to a skilled trade, you must be entered into the Handwerksrolle [official register of trades] or the register of skilled trades not requiring authorisation or the register of craft–like trades, to be found at the Handwerkskammer. All craft activities are encompassed in the Gesetz zur Ordnung des Handwerks (HWO) [German Crafts Code] in annexes A and B.

Skilled trades requiring authorisation

Annex A contains the total of 41 skilled trades which require authorisation, which means that the master craftsperson’s certificate is required for entry into the Handwerksrolle and therefore for approval to set up or take over a skilled trade business.

However, you may also perform a skilled trade otherwise requiring authorisation as a journeyman or skilled trade worker under certain conditions without a master craftsperson’s certificate. In order to do this, you must be able to prove that you have at least six years of professional experience in the skilled trade profession you have learned, four years of which were spent in a leading position combined with solely responsible decision-making authority. The exceptions to this “journeyman arrangement” are hearing aid audiologists, optometrists, orthopaedic technicians, orthopaedic shoemakers, dental technicians and chimney sweeps. Businesses may also perform a skilled trade requiring authorisation if the respective sole proprietor, partnership or GmbH employs a master as manager. Engineers, university graduates and nationally certified technicians may be entered into the Handwerksrolle with the skilled trade requiring authorisation if it matches the main focus of their degree or higher education.

The independent execution of simple craft activities from skilled trades otherwise requiring authorisation is also possible. This means that an activity that can be learned within two to three months does not require a master examination. Due to the complexity of the various registration options, please find out more from the Handwerkskammer, Handwerksrolle dept., about your options in particular, in order to clear up any ambiguities.
Skilled trades not requiring authorisation and activities similar to the skilled trades

Annex B is divided into two sections. Section 1 lists the 53 skilled trades not requiring authorisation. People setting up businesses in these trades do not require any formal qualification to execute the skilled trade. The same applies for the 57 activities similar to the skilled trades in Section 2. Entry into the appropriate Handwerkskammer register is the only action required if you wish to perform a skilled trade not requiring authorisation or an activity similar to the skilled trades.

Mixed operations and subsidiary skilled trade operations

Companies which perform activities which fall within the boundaries of the IHK and the skilled trades are known as mixed operations. Each portion of the operations belongs to the IHK and Handwerkskammer, respectively, and must therefore be registered with both the IHK and the Handwerkskammer. The charge assessment is made on a pro rata basis. Subsidiary skilled trade operations constitute an exception in mixed operations. These are businesses which are mainly commercial and connected to the main company where the focus of activities resides which also wish to perform skilled trades or activities similar to the skilled trades requiring authorisation on behalf of third parties. One example of this is a vehicle dealer who also performs vehicle repairs for third parties. In principle, the guidelines outlined above for entry into the Handwerksrolle also apply here. Insignificant subsidiary skilled trade operations are an exception to this rule. The master craftsperson obligation does not apply according to this if the activity is only performed to an insignificant degree. Another special variety is known as an auxiliary operation. This is also connected with the main business where the focus of the activities resides, but it regularly provides its services for the main business which it serves economically and not for third parties. Entry into the Handwerksrolle may not apply here either. An example for this is a vehicle dealer who repairs vehicles for the purposes of reselling. The master craftsperson obligation does not apply in this case if trade in the non-repaired vehicles outweighs anything else and gives the business its character.
You will not be able to bypass this issue. You must decide on a legal form, even if you are simply registering a business! If you are setting up the business on your own, your company will henceforth be an Einzelunternehmen [sole proprietorship, also called as individual enterpreneurs]. A Gesellschaft bürgerlichen Rechts (GbR) [partnership organised under the German Civil Code] or an offene Handelsgesellschaft (OHG [general partnership] – if your enterprise requires an operation organised in a business-like way) are set up as a team. As the statutory provisions which apply to your business depend on its legal form, it is immediately apparent that the choice of legal form is of great significance.

Commercial operation or small business enterprise?

This distinction is a peculiarity of German company law which has far-reaching consequences. It is often confused with the "small entrepreneur" arrangement under fiscal law (for more details on this, see “What taxes do I have to pay?”).

Small-scale entrepreneurs are sole proprietorships and partnerships organised under the German Civil Code [GbR] which are not entered in the commercial register at the district court (Handelsregister am Amtsgericht) and do not require an operation organised in a business-like way, depending on the type and scope of the company. This means that the type of activity is simple, the scope of the business is straightforward and commercial features such as double-entry accounting, inventory and balance sheets are not required.
In contrast, the following aspects indicate that it is an operation organised in a business-like way:

**Indications that the operation is organised in a business-like way**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>The annual turnover</td>
<td>(e.g. more than €175,000 for a service provider)</td>
</tr>
<tr>
<td>The number of employees</td>
<td>(more than five)</td>
</tr>
<tr>
<td>The business assets</td>
<td>(starting at €100,000)</td>
</tr>
<tr>
<td>The credit volume</td>
<td>(greater than €50,000)</td>
</tr>
<tr>
<td>More than one branch</td>
<td></td>
</tr>
</tbody>
</table>

If there is any doubt concerning the classification of small-scale entrepreneur or commercial business, therefore merchant, the competent chamber of commerce can provide an opinion.

**Entry in the commercial register?**

Commercial businesses must be entered into the commercial register; small-scale entrepreneurs can have themselves entered into the commercial register. The following legal forms also require entry: e. K. (eingetragener Kaufmann [registered merchant]), OHG (general partnership), KG (Kommanditgesellschaft [limited partnership]), GmbH (limited liability company), UG (entrepreneurial company, limited liability) and AG (joint stock company). Special formalities must be observed for entry into the commercial register.

Entrepreneurs who are entered in the commercial register have a company name. The company name indicates the name of a commercial operation. Entrepreneurs may choose a company name which is a person’s name, one which reflects the object of the company or one derived from the imagination. Therefore, your individual enterprise would become a
one-man company as a result of entry into the commercial register and require an additional e. K., e. Kffr. or e. Kfm. Examples: Bruckers Buchhandel e.K., Hotel Himmelbett e.Kffr., Putzblitz e.Kfm. (for more on this subject, see “What do I call myself?”).

Advantages of entry include the entrepreneurs being able to issue their employees with commercial power of attorney, present themselves under their company name without stating their family name, increased respectability and an image boost for the company. Furthermore, only the company entered into the commercial register may be sold, bequeathed or leased and open independent branch offices. Some banks, companies and professional associations make entry into the commercial register a prerequisite for starting a business relationship. One disadvantage is that entry into the commercial register entails the obligation of double-entry accounting and balancing accounts in accordance with the Handelsgesetzbuch (HGB) [German Commercial Code], which is more complex than the net income method. Merchants must also be subject to the stricter requirements of the HGB and immediately complain about defective deliveries of goods so that their warranty claims are preserved.

Selected legal forms and their distinctive features

The sole proprietorship (Einzelunternehmen)
This is by far the most common legal form in Germany. It is very simple to set up. If you have not chosen any other legal form and are setting up the business alone, the individual enterprise is established when the activity is commenced. The sole proprietorship is conducted independently and by its owner alone, but you may of course also employ staff.

A profile of the sole proprietorship

<table>
<thead>
<tr>
<th>Suitable to one individual entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>No minimum capital is required</td>
</tr>
<tr>
<td>No entry into the commercial register is required</td>
</tr>
<tr>
<td>Unlimited liability of the owner towards company creditors (even with regard to private assets).</td>
</tr>
<tr>
<td>No company name in a legal sense (the first name and surname of the owner must be stated in the company name)</td>
</tr>
<tr>
<td>Business registration and, where applicable, authorisation are required</td>
</tr>
</tbody>
</table>
The civil law partnership (GbR - Gesellschaft bürgerlichen Rechts)
The GbR is the most simple way of starting a business as a team. It is established automatically when people pursue an economic goal together, for example drawing up a business plan in order to become jointly active as an enterprise. Although a written contract is not compulsory, you should draft one with your partners. Otherwise, the provisions of the Bürgerliches Gesetzbuch (BGB) [German Civil Code] apply automatically, which is why this legal form is also known as a BGB company. The German Civil Code stipulates with regard to the GbR’s management that all shareholders make decisions together and also jointly represent the company externally. This means that all shareholders must act together to conclude any legal transaction. As this can be inconvenient in practice, the shareholders may agree something else internally in the articles of association (e.g. individual management authority, exclusive power of representation). If your GbR grows in such a way that a commercial operation develops, the form of your company will transform into an OHG by act of law. In this case, you will be obliged to have the OHG entered into the commercial register.

A profile of the GbR

<table>
<thead>
<tr>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least two entrepreneurs are required</td>
</tr>
<tr>
<td>No minimum capital is required</td>
</tr>
<tr>
<td>No entry into the commercial register is required</td>
</tr>
<tr>
<td>Unlimited liability of all shareholders towards company creditors (even with regard to private assets; joint and several liability).</td>
</tr>
<tr>
<td>No company name in the legal sense (the first names and surnames of all shareholders must be stated in the name of the company, as well as the addition of the GbR legal form)</td>
</tr>
<tr>
<td>Business registration and, where applicable, authorisation required for each shareholder.</td>
</tr>
</tbody>
</table>

The general commercial partnership (OHG - Offene Handelsgesellschaft)
For an OHG to be set up, there must be at least two entrepreneurs. Individual management authority and exclusive power of representation apply for the OHG’s form of management and representation. This means that the shareholders are individually permitted to carry out all “normal” business actions and the other shareholders are only entitled to a subsequent right of objection. The shareholders may conclude legal transactions individually. Agreements deviating from this may be agreed in the articles of association.
A profile of the OHG

At least two entrepreneurs are required

No minimum capital is required

Entry into the commercial register is required

All shareholders are unrestrictedly liable towards company creditors (even with regard to private assets)

It may bear a company name in the legal sense.

Business registration and, where applicable, authorisation required for each shareholder.

The limited partnership (KG - Kommanditgesellschaft)

This legal form basically differs from the OHG in that liability is restricted to a certain sum of money with one or more shareholders. These shareholders are known as limited partners. The shareholder who is fully liable is known as the general partner. Quite simply, this legal form allows for the possibility of reinforcing the equity capital base by accepting new limited partners without allowing these shareholders to make decisions in normal business activities. A written contract is not compulsory here, either, but strongly recommended.

A profile of the KG

Suitable to at least one entrepreneur plus one other shareholder

No minimum capital is required

Entry into the commercial register is required

Unlimited liability (even with private assets) towards company creditors via at least one general partner (fully liable partner)

Liability of at least one limited partner up to the amount of this partner’s investment sum

Managed by the general partner

It may bear a company name in the legal sense

Business registration and, where applicable, authorisation required for each general partner.

The limited liability company

(GmbH - Gesellschaft mit beschränkter Haftung)

It is no coincidence that the GmbH is the most popular legal form in German after the individual enterprise. The reason for this is that liability is limited to the company’s own assets. In the event of the company’s insolvency, the creditors generally cannot access the shareholders' private assets but only the overall operating assets, so at least the share capital.
The minimum share capital is €25,000, of which at least half must be deposited when the business is set up. Material assets may be deposited instead of cash capital.

**A profile of the GmbH**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suited to</td>
<td>one or more entrepreneurs</td>
</tr>
<tr>
<td>Minimum capital of</td>
<td>€25,000 is required</td>
</tr>
<tr>
<td>Entry into the commercial register is required</td>
<td></td>
</tr>
<tr>
<td>The company is a legal entity</td>
<td></td>
</tr>
<tr>
<td>The shareholders are (generally) not personally liable</td>
<td></td>
</tr>
<tr>
<td>An employee may manage the company</td>
<td></td>
</tr>
<tr>
<td>It may bear a company name in the legal sense</td>
<td></td>
</tr>
<tr>
<td>Business registration and, where applicable, authorisation is required for the GmbH and must be carried out by the director</td>
<td></td>
</tr>
</tbody>
</table>

Please note: The legislative authorities provide a “Musterprotokoll für die Gründung einer Einpersonengesellschaft” [Sample protocol for setting up a one-person company] and a “Musterprotokoll für die Gründung einer Mehrpersonengesellschaft mit bis zu drei Gesellschaftern” [Sample protocol for setting up a company with up to three shareholders]. The shareholders may also set up the company with individually compiled notarial articles of association. If you are setting up a company with several persons, we recommend a GmbH contract tailored to your individual requirements. This contract allows you to make provisions which go beyond the legally prescribed, minimum contents of GmbH statutes and guard against potential differences of opinion between the shareholders.

**The provisional company with limited liability (UG – Unternehmergesellschaft haftungsbeschränkt)**

This legal form constitutes a special case of the GmbH. The strict provisions of the GmbH apply here, in principle, but the minimum start-up capital is only €1 and a sample protocol for a simple start-up may be used. If there is more than one shareholder here, you should think carefully before using the sample protocol.

The GmbH law stipulates that a statutory reserve must be generated on the balance sheet into which one quarter of the previous year’s annual surplus, minus one loss carried forward, must be deposited. This reserve must be generated until a sum of €25,000 has been reached and a GmbH may be registered.
A profile of the UG (limited liability)

<table>
<thead>
<tr>
<th>Suited to one or more entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum capital of €1 is required</td>
</tr>
<tr>
<td>Entry into the commercial register is required</td>
</tr>
<tr>
<td>The company is a legal entity</td>
</tr>
<tr>
<td>The shareholders are (generally) not personally liable</td>
</tr>
<tr>
<td>An employee may manage the company</td>
</tr>
<tr>
<td>It may bear a company name in the legal sense</td>
</tr>
<tr>
<td>Business registration and, where applicable, authorisation is required for the UG (limited liability) and must be carried out by the director</td>
</tr>
</tbody>
</table>

The registered cooperative (eG - eingetragene Genossenschaft)

People setting up businesses in the past rarely thought about the option of a cooperative. However, these circumstances changed with the amendment to the Genossenschaftsgesetz [German Cooperative Societies Act] in August 2006, and for good reason: While seven founder members were previously required, now the number is only three. Little or no starting capital is required, the start-up process is relatively simple and this legal form enjoys a “safe” reputation thanks to regular audits of the cooperatives by the auditing association. Written statutes must be drawn up for this form of company to be set up. Notarisation is not required, but the regional cooperative association will check whether the conditions for a successful business start-up are met. If this check is successful, the start-up team has great chances of filing a successful loan application, to give an example. If your team desires binding structures, wishes to keep the risk of insolvency to a minimum and rather values supervision and auditing provided and carried out by an association, this legal form will be of interest to you.

A profile of the eG

<table>
<thead>
<tr>
<th>Suited to at least three entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>No minimum capital is required, but the cooperative association will check whether the equity base is sufficient.</td>
</tr>
<tr>
<td>Registration in the Genossenschaftsregister [cooperatives register] is required</td>
</tr>
<tr>
<td>The company is a legal entity</td>
</tr>
<tr>
<td>The shareholders are (generally) not personally liable</td>
</tr>
<tr>
<td>A management board manages the company (one person is sufficient here for up to 20 members)</td>
</tr>
<tr>
<td>It may bear a company name in the legal sense.</td>
</tr>
</tbody>
</table>
You should not underestimate how important the choice of a company name is. If you decide to change your name later on, for example for injunctive relief on the basis of competition law, it may cost you dearly and confuse your customers. You should therefore consider all legal parameters but not neglect advertising aspects either.

Sole proprietorship and GbR

As an individual entrepreneur, you must present yourself in business dealings with your first name and surname, spelt out in full. A name with your line of trade and details on your activities can also be added, e.g. “Klara Kunze, art dealer”. GbRs must list all shareholder names (first names and surnames). Sole proprietorship and BGB companies may furthermore use what are known as establishment or business names, e.g. “S-Kultur” for catering or “Agentur für liebe Briefe” for a writing service.

These names, however, do not form part of your company’s official name. This means that business names of this kind may not, although permitted, be used for registration at official locations (e.g. Ordnungamt) or exclusively in business letters, either.

Companies and company names

Many people setting up businesses talk about their “Firma” (company) even though their business does not actually constitute a company, technically speaking, because it is not entered in the commercial register. “Firma” is the name of a business, legally speaking, under which a business is entered into the commercial register, presents itself in business dealings and concludes contracts.
One advantage of entry in the commercial register is that the company enjoys protection, at least regionally, from identical or similar company names. The Handelsgesetzbuch (HGB) stipulates how each form of company is formed as per the same principles.

**Key criteria for forming a company**

**Not without the addition of the legal form**
Every company name must contain the corresponding addition of legal form so that the business's liability circumstances are visible externally. Generally understood abbreviations are permitted for this purpose, for example e. K. for "eingetragener Kaufmann" or GmbH for "Gesellschaft mit beschränkter Haftung".

**Suitable for identification purposes**
Company identifiers such as "Lederwaren [Leather Goods] OHG" or "Reise [Travel] KG" would be far too general. "Gisbert und Ludwig Gerber Lederwaren OHG" or "Santa Nirgendwo Reise KG" would be permitted.

**Clearly distinguishable**
During the entry proceedings, the court of registration examines whether the chosen company name is identical or similar to the company name of another business within the same political district.

**Clear and true**
Each company name is subject to the prohibition of misleading statements. Therefore, a company identifier may not contain statements which could mislead potential customers as to the true business circumstances, such as "Deutsche Sicherheit [German Security] e. K." for a small, only regionally-active individual company in the security guard
business or “Hundeglück [Dog happiness] GmbH” for a car dealership.

Personal company names
The company identifier of a business may also, of course, be formed by the owner’s family name or the name of the shareholders, e.g. “Dahlke & Diez OHG”. First names may also be added but this is not necessary.

Imaginative company names
These may be formed with pronounceable words (e.g. “Rollriesen Spedition [Rolling giants freight forwarding] e. K.” or non-pronounceable letter and/or number combinations (e.g. “BHM24 GmbH”).

Company names derived from the object of the business
Here, the business’s area of activity or sector is reflected in generic terms, e.g. “Handelsgesellschaft [trading company] mbH”. Such a company name lacks identification, however. It therefore requires an addition which makes it more individual, either with a letter or number combination, e.g. “4U Handelsgesellschaft mbH” or an imagined word such as “Halligalli Handelsgesellschaft mbH”. You may also form combinations out of names derived from the object of the business, imaginative company names and personal company names.

Other aspects to consider
Beyond the provisions of the HGB, there are also competition and trade mark regulations which have a protective effect. In order to rule out any risk of confusion in good time, you should also conduct detailed research yourself before your company is entered into the commercial register by the notary (online search machines) and contact your competent chamber of commerce. If you intend to be active outside of the region or internationally, you should instruct a trade mark lawyer to conduct the appropriate research.
Don't worry! There are only four to five types of taxes which you must roughly know about. Even if you are supported from the very beginning by a tax adviser, it is still a must. Without some basic knowledge of taxation, it will be difficult for you to calculate your payments and organise business processes.

**Taxes you must know about**

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover tax and input tax</td>
<td>Trade tax</td>
</tr>
<tr>
<td>Income tax</td>
<td>Corporation tax</td>
</tr>
<tr>
<td>Tax on wages</td>
<td></td>
</tr>
</tbody>
</table>

**Turnover tax / value-added tax (VAT)**

Turnover tax is payable on almost every purchase or sale of services or products (value-added tax). The only exception here is the typical turnover of certain professional groups (e.g. doctors, physiotherapists, insurance brokers) and small entrepreneurs who pay no turnover tax on their turnover. As an entrepreneur, you must charge your customers turnover tax and pay it to the inland revenue (also called tax office) in the “Umsatzsteuervoranmeldung” [advance turnover tax return]. If you purchase something for your business, the turnover tax paid by you becomes what is known as input tax. You may offset the input tax you have paid against the turnover tax collected from you. People setting up businesses are obliged to submit a monthly turnover tax declaration in the year in which their business is set up and in the following calendar year, by the tenth day of the following calendar month. Normally, so-called debit taxation applies for turnover tax. You must pay turnover tax as soon as you have sent the invoice to the customer and not only when they have
paid it. Members of the free professions and small-scale entrepreneurs may apply to be allowed to register and pay the turnover tax when the customer's payment has been received and not before (actual taxation). This arrangement also applies for businesses with accounting obligations (merchants) if their overall turnover did not exceed €500,000 in the previous calendar year. If you would like to change from debit taxation to actual taxation, you must file an application with the inland revenue.

Caution: Pay attention to the amount of turnover tax you specify on bills or receipts. Even if the amount is declared to high, this incorrect amount has to be paid!

Small entrepreneur regulation

If your turnover did not exceed €17,500 in the previous calendar year and is not expected to exceed €50,000 in the current calendar year, you fall into what is known as the small entrepreneur regulation. If you set up your company in the middle of the year, the estimated turnover must be projected as an overall, annual turnover. As there is no turnover from the previous year in this case, €17,500 applies as the turnover threshold for the year in which business begins, so that you can be categorised as a small entrepreneur. You will not have to submit any advance turnover tax return or pay any turnover tax to the inland revenue, but as a small entrepreneur, you will not be allowed to account for turnover tax on your invoices. You will not be able to claim input tax from your inland revenue for incoming invoices, either. If high input tax sums are accrued due to investment expenditure, you should therefore recalculate whether you should not rather forego using the small entrepreneur regulation, even if you comply with the turnover limits. In order to waive the arrangement, you must file an application with the inland revenue.
This waiver is binding for five years!

Caution: If turnover tax is accounted for on bills or receipts, it must be paid whether there is an exemption or not.

**Income tax**

Individual entrepreneurs and the shareholders of partnerships (GbR, OHG, KG) pay income tax. The calculation basis is formed by revenue from entrepreneurial activity, generally business profits. The income tax is calculated for the calendar year, overall. Personal tax-exempt amounts are taken into account during calculation, as well as insurance contributions for old-age, illness and accidents as expenses of a provident nature. Losses are offset against profits from other forms of revenue or other years. If the amount of income to be taxed is below the basic tax-exempt amount, no income tax must be paid.

Please note: Every year, the inland revenue stipulates a certain sum which you must transfer on a quarterly basis as an advance payment. If your income is higher than initially expected in any one year, you must be prepared to pay back taxes the following year. The back tax payment plus the (new, higher) advance income tax payment have caused major financial problems for many a young entrepreneur in the past. Therefore, be prepared for the possibility of a back tax payment and put the money aside in good time.

**Tax on wages**

The tax on wages is a special form of income tax. Although the employee owes the tax on wages, it is you as employer who is obliged to deduct it from every wage payment and pay it to the inland revenue. The inland revenue must be notified of payments for tax on wages in advance, in digital form. Solidarity tax and church tax, where applicable, must be deducted and paid to the inland revenue along with the tax on wages.
Trade tax

Every entrepreneur in Germany is subject to this tax. It is the municipalities’ most important source of income for financing its public expenditure. In Brandenburg, the municipal rate of trade tax is set by the municipalities. The operating profits of a company form the basis of this taxation, i.e. a business’s profits after they have been adjusted according to special parameters. To calculate the trade tax, the operating profits are multiplied by the basic federal rate (3.5 per cent). This results in the tax assessment base which is then multiplied by the municipal rate (at least 200) set by the respective municipality in which the business is located. This tax is collected on a quarterly basis by means of an advance trade tax payment. This being the case, people setting up businesses are advised to generate appropriate reserves if profits increase. Natural persons and partnerships may claim a tax-exempt amount of €24,500 per year. Trade tax is also credited against personal income tax on a general basis. Incorporated companies do not have this crediting option or any tax-exempt amount, but in both cases, it is important to remember that trade tax is not operating expenditure.

Corporation tax

All incorporated companies (e.g. AG, GmbH, UG) are obliged to pay corporation tax. This tax must be paid to the inland revenue on a quarterly basis as an advance corporation tax payment. The business’s profit is also taxed here. Deducted and distributed profits are taxed with the uniform corporation tax rate of 15 per cent. In addition to this, there is the solidarity tax of 5.5 per cent of the corporation tax.
People starting commercial businesses become usually members of the local Chamber of Commerce and Industry (Industrie-und Handelskammer, abbreviated IHK) when they begin their self-employment. German legislation stipulates membership here so that the responsibilities of public administration can be fulfilled, political public interest can be represented and a comprehensive range of services can be provided. People setting up a business should also keep in mind GEMA [German society for musical performing and mechanical reproduction rights] and TV and radio licence fees within the context of securing copyrights for music and financing public broadcasting services.

Chamber of Commerce and Industry (IHK)

The work of the three Brandenburg Chambers of Commerce and Industry, the IHK Cottbus, IHK Ostbrandenburg and the IHK Potsdam, is geared towards strengthening the state of Brandenburg as a business location in the interests of the businesses here and creating positive conditions for start-ups. This is ensured by virtue of entrepreneurs from all sectors involving themselves in the chambers’ work on a voluntary basis, thereby having a say in the direction that the IHK takes.

The IHK takes on the responsibilities of public administration where state regulations are unavoidable. This is most clear in the area of professional training, where the economy replaces state action with do-it-yourself solutions.
The IHK offers all members, and even future members, comprehensive services. People setting up businesses have the opportunity to be provided with information early on, during an initial consultation which covers which steps need to be considered in the early stages of self-employment. Help is also offered in the search for appropriate financing and funding opportunities. Feedback on the business plan can be obtained and the law and taxes department can help with legal questions.

The IHK charges a membership fee in line with the business's economic performance so that it can perform its tasks. In this way, it remains independent of the state and the goodwill of individual, financially strong businesses. People setting up businesses are exempt from the fee for the first two years if their profits do not exceed €25,000 and they are individual entrepreneurs and not entered in the commercial register or cooperatives register.

**TV and radio licence fee of ARD, ZDF and Deutschlandradio**

There is a statutory obligation to pay fees for broadcasting services in Germany as the first, second and third channels and public radio stations are largely financed by broadcasting service fees. The latest reform of the broadcasting state treaty says that every household must pay a rate of contribution for TV and radio receiver. There is now one flat charge for all devices per household. The rate of contribution for businesses and institutions is in line with the number of business premises, employees and vehicles.

*The licence fee for business and institutions*

[www.rundfunkbeitrag.de/informationen/unternehmen_und_institutionen/informationen_in_weiteren_sprachen/index_ger.html](http://www.rundfunkbeitrag.de/informationen/unternehmen_und_institutionen/informationen_in_weiteren_sprachen/index_ger.html)
GEMA

The “Gesellschaft für musikalische Aufführungs- und mechanische Vielfältigungsrechte” (GEMA) is a collecting society which represents the performance and reproduction rights of the composers, songwriters and publishers who make up its membership. Licensing payments must be paid to GEMA if copyrighted music is played in public. In a lot of places, small businesses are unaware that even playing GEMA-protected music on telephone switchboards or to accompany telephone announcements is notifiable. Audiobranding involving music is also becoming increasingly important. You must also bear in mind that you are obliged to provide notification of this, too.
When you become self-employed, you leave the previous social security net as an employee covered by statutory insurance. For this reason, you should take measures to ensure your private and social protection in good time. Your business could also be affected by unforeseen circumstances.

It is therefore advisable to insure yourself against operational damages. The type and extent of the insurance you should take out depends on your private and operational requirements. Determine in detail your actual insurance requirements and avoid underinsurance, as the insurance may not pay out at all in the event of damage. Insurance cover which is too high may turn out to be unaffordable in the early stages but also in the long term and could put an unnecessary burden on your liquidity. It is important that the greatest risks are first covered and double insurance is avoided.

**Personal insurance**

**Health insurance**

Health insurance is required for all citizens in Germany by law. As an employer, you are automatically a member of a statutory health insurance scheme, but you also have a choice as someone who is self-employed. You either use the opportunity to continue to be voluntarily insured under the statutory health insurance scheme or take out private health insurance. It could make sense to combine both, in view of sick pay.
The contribution for voluntary members of the statutory health insurance scheme is in line with economic performance (generally according to profits). All revenue is taken into account, in principle, up to the current contribution assessment ceiling (upper contribution limit). There is also a lower limit. People setting up a business who receive funding such as a set-up subsidy or reintegration grant may be given reductions.

The income level of a self-employed person does not play any role in the assessment of the private health insurance contribution. The contribution is determined in consideration of personal factors such as age at entry, health situation and desired level of insurance. It is not possible to have family members covered by the insurance such as is the case with the statutory health insurance scheme. Members of a private health insurance scheme generally pay all health costs and doctors’ bills and then receive the money back from the private health insurance company according to the insured service. Therefore, an appropriate financial buffer is always necessary.

Along with estimated revenue, personal and therefore family plans for the future should be taken into account when you make a decision on health insurance. Always consider and check differing arrangements for special cases such as self-employment as a secondary job, as a student and during pregnancy or maternity protection periods. Please also consider that health insurance for children now and in the future can depend on which parent earns the income which is taxed most.
Requirements for voluntary insurance under the statutory health insurance scheme

You were covered by the statutory health insurance scheme for at least 12 months before your self-employment began

or covered by compulsory insurance in the previous five years for at least 24 months.

Your self-employment began a maximum of three months ago.

Written notification of entry into the statutory health insurance scheme must be submitted within three months of the previous membership ending!

Please note: It is not always possible to change between private and statutory health insurance or reverse the process. For example, withdrawing from a private health insurance scheme back into the statutory health insurance scheme is difficult and sometimes even impossible for the self-employed. It is recommended that you contact the appropriate health insurance company in good time.

Important: Find out about the possibilities of sick pay and hospital daily benefit as well, as these models also take into account other forms of loss of earnings or incapacity for work.

Long-term care insurance
You are also obliged to be insured for this. In principle, members of the statutory health insurance scheme in statutory long-term care insurance are obliged to be insured. However, you may also file an exemption request within three months of your insurance obligation beginning if evidence of private long-term care insurance can be furnished. Please note: If you leave the statutory long-term care insurance scheme, you cannot become a member again as a self-employed person! Members of the private health insurance scheme must ensure their coverage with private insurance.

Pension insurance scheme
Old-age pension coverage is the obligation of the entrepreneur, in principle. You may remain in the German statutory pension insurance scheme or replace it by taking out private pension or life insurance, for example. Some self-employed people are under an obligation to be insured in the statutory pension insurance scheme. These groups include entrepreneurs in the agricultural and forestry sector, craftspeople, nursing staff, school and pre-school teachers, artists and publicists. Those who are subject to
obligatory membership of the free professions’ chambers (e.g. engineers and tax advisers) and self-employed people with only one client (e.g. commercial and insurance agents) are also included here. A list of self-employed people who are obliged to take out insurance can be found in Section 2 Sozialgesetzbuch [German Social Code] VI.

If in doubt, it is imperative that you confer with the pension provider, as all self-employed people obliged to take out insurance must notify the pension insurance scheme within three months of setting up their business.

If you are insured under the statutory insurance scheme, your monthly contribution will either be in line with a uniform, standard contribution (without proof of income) or there will be a payment in line with income (with proof of income).

Please note: By all means, check whether pension entitlement already exists and/or whether it can be secured via voluntary contributions to the statutory pension insurance scheme. If you have already paid into the statutory pension insurance scheme for years in the past, staying with the minimum contribution rate is often worth it in order to secure your claims to a reduced earning capacity pension. Whether or not continued voluntary insurance should be the aim of people setting up a business is a question which should be assessed individually in a face-to-face consultation with the respective German statutory pension insurance scheme adviser. Along with old-age pension, self-employed people should also consider a safeguard in case of incapacity to work. It is imperative that people setting up a business clarify in a consultation with the respective pension body to which extent any claims would exist in the event of incapacity to work and reduced income, or if these can be acquired via the payment of contributions.

**Accident insurance/ Employer’s liability insurance associations**

In certain sectors, entrepreneurs are obliged to join the German statutory accident insurance organisation (Deutsche Gesetzliche Unfallversicherung, abbr. DGUV). The employer’s liability insurance associations are the providers of this accident insurance. The statutes of each employer’s liability insurance association stipulate whether you can be insured as a compulsory member or on a voluntary basis. Under certain circumstances, you can be released from the insurance obligation.
Please also consider that self-employed people must inform the responsible employer's liability insurance association within one week of starting work of the type and object of the business, number of employees including yourself and the start of operations (see also: “Social security for employees”). The employer's liability insurance association will then determine whether there is an obligation to contribute.

Statutory accident insurance only helps in the case of occupational and commuting accidents. Private accident insurance can be a sensible option as an alternative to or to supplement DGUV, particularly if there is no insurance covering incapacity to work.

Voluntary unemployment insurance

Entrepreneurs are not obliged to insure themselves in case of unemployment. Self-employed people may, however, apply for continued insurance under unemployment insurance from the Bundesagentur für Arbeit [German Federal Employment Agency]. The following conditions must be met: The work must take up at least 15 hours a week and the applicant must have been in employment subject to social security contributions for at least 12 months in the previous 24 months, or received corresponding benefits in lieu of income. The application must have been filed within three months of the self-employed work beginning.

The extent of the contribution to be paid is calculated according to the each applicable reference figure. For the first year and the following year, the basis used is 50% of the reference figure for people setting up a business. With voluntary unemployment insurance, self-employed people have the option of creating an additional safeguard in case of failure. The unemployment benefit is assessed virtually, i.e. according to general sums, depending on the applicant’s qualifications. Renewed entitlement arises for the first time after money has been paid into the unemployment insurance fund for a period of 12 months.

Company insurance cover

Along with personal safeguards, you should also consider the possibility of company insurance, as the self-employed person’s private assets may be drawn on in case of liability and your livelihood could be put at risk. The ideal type of cover always depends on the respective parameters and
varies according to sector and company size. In general, you should collect and compare several offers before concluding any insurance contract.

Company liability insurance
Company liability insurance covers personal injury and property damage as well as any resulting financial losses caused to third parties during operational activities by the business premises, the entrepreneur or the entrepreneur’s employees, for example to customers in showrooms or on the company’s premises. The extended product liability insurance is an additional form of coverage within company liability insurance. This extension is especially necessary for manufacturers and quasi-manufacturers of raw products or semi-finished products, but the product liability does not leave out the vendor (distributor). These are products, for example, which are made available to the consumer (e.g. gym equipment).

Claiming this liability insurance implies that you may also be made liable for the damage accrued. Actual contributory negligence on the part of the injured party as a result of the latter’s conduct may at least limit the liability of the entrepreneur.

Building protection insurance and property insurance
With fire, water, storm, glass breakage and burglary insurance you will insure your company’s fixed assets and floating capital against damages from loss or structural damage.

For some insurance schemes, such as building insurance, the feature of ownership is assumed. As a (commercial) tenant, you cannot take out this kind of insurance yourself.

Company legal expenses insurance
Company legal expenses insurance covers the costs from legal disputes with third parties. Legal protection in the field of traffic, compensation, criminal, employment and social court law should be considered here. The scope of the policy which is appropriate for you depends greatly on your business risks. Check your requirements accordingly.

Business interruption insurance
If your business is forced to a standstill due to particular events or damage events (water damage, fire), business interruption insurance will assu-
me the costs within a certain framework until the business can be continued (e.g. wages, rent), loss of profits and, where applicable, contractual penalties due to incomplete (or impossible) deliveries and services, as long as they can be proved to have been agreed.

**Social security for employees**

Social security for employees consists of unemployment insurance, health insurance, accident insurance, pension insurance and long-term care insurance. As an employer, you are obliged to report every new employee to his or her health insurance company immediately. The health insurance company then informs the Arbeitsamt [employment centre] and the pension insurance provider. Accident insurance safeguards the employee against damages from occupational accidents, commuting accidents, etc. The responsible employer’s liability insurance association provides the accident insurance. Contributions to it are paid solely by the employer, who must report the employees to the employer’s liability insurance association within one week of engagement. Staff who are only employed on a marginal or short-term basis must be reported to the Minijob-Zentrale [Mini job central office].
You have addressed your business plans and all the formal groundwork in great detail. You have also decided on a suitable legal form for your business and defined your position in this business. Now it is necessary to present all the components of your start-up plans in such a way that a viable business concept can develop. This forms the theoretical basis for your future entrepreneurial activities. Now it is important to connect the structure and proportions of your start-up plans so that a viable “business building” develops.

**From the business model to the business plan**

Your business model explains in a very simple manner which resources (financial, material, personal) are being put into your enterprise and how they can be converted into marketable products and services via the internal goods and services creation process. Formulate your business model in a brief and precise manner. The following, basic points should be included:

**Fundamental elements of a business model**

<table>
<thead>
<tr>
<th>Goals:</th>
</tr>
</thead>
<tbody>
<tr>
<td>What benefits does this business activity endow?</td>
</tr>
<tr>
<td>What is the idea? Who are the beneficiaries prepared to pay?</td>
</tr>
<tr>
<td>What success (e.g. turnover, profit, market share) is being targeted in the short term and long term and from which sources (products, services)?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tools:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which specific measures will you take to reach your targets?</td>
</tr>
</tbody>
</table>
Which resources will be available or required?
What are the special success factors (innovations, special knowledge, etc.) which make your enterprise stand out?

Data:
Which restrictions influence your sphere of activity?
How will you deal with existing restrictions? (Important influencing variables which you cannot change directly, e.g. laws, customer habits, competitors).

Please note: You should work very carefully on your business model. Conceived in a comprehensive and structured way, formulated precisely and in a manner which is understandable, it will be of use to you in numerous ways in the future. It forms the basis for future short presentations and serves as an executive summary of your business plan.

While the business model represents one of the most important cornerstones of your considerations, your business plan must support these points specifically. You should present each item in a way which is as detailed and precise as possible. Only a clear and realistic business concept will convince its readers of the viability of the start-up idea.

The role of a business plan
A planning tool for the person setting up the business
A basis for discussions and decisions for potential partners, providers of capital, advisers
A basis for meaningful controlling for the person setting up the business and other parties to the start-up process.
Please note: Hands off ready-made business plans! These are available for download in various versions, online or as a template at start-up seminars. They do not describe your business start-up or bear your signature. Your personal business plan requires at least two to three 40-hour weeks of your working time!

How do I start a business plan?

Put yourself in the shoes of the person reading your business concept. The reader probably has little time, so will want to get an idea of your plan in a nutshell. This often means that: The reader will skim the table of contents and summary, look at your CV, have a brief glance at the figures, thereby forming an opinion. This means: Make the best possible first impression!

You should formulate the business plan in your own words. Write in short, simple sentences. Good research is more important than a fantastic text. Well-grounded derivation of your target figures is a must for meaningful figures and therefore more important than making them look “pretty”. Show that you have planned and thought your idea through carefully and realistically!

Making a good first impression with your business plan

Find out who the right point of contact is and address your documents accordingly.

Only submit complete documentation. If the bank, authorities, advisers or another addressee has provided specifications, make sure these are followed.

Put together appealing documentation: Clean, organised and appropriate

Write a convincing and constructive executive summary.

What should my business plan include?

Detailed suggestions for the content-related bullet points of a business concept can be found in the links and relevant literature provided in the appendix. Here, the most important aspects and most frequent omissions within the rough outline can be referred to instead. In general, not every bullet point is as important for every start-up plan. The same applies for the scope of your documentation: There is no standard size. However,
fewer than ten pages of text (line spacing 1, font size 11) is very thin; fewer than six pages is meagre. The target figure section and necessary appendixes are in addition to this.

Executive summary
This is where you need to shine. The summary of your start-up plan should emphasise the beneficial features of your enterprise. You can formulate commercial assertions if you like, but you must substantiate them in the following bullet points. The most important information in the summary is: The business idea, skills of the start-up team, benefit to the customer, unique selling proposition (USP), turnover and return potential, legal form and capital requirements. The reader should be able to make a decision for or against committing on the basis of the summary alone.

The person/people setting up the business
Make it clear to the reader why you or the team are especially qualified for the tasks to be performed. Commercial and sector-specific knowledge is especially decisive here, and can be substantiated in the CV and references.

The business idea
Outline convincingly what is new, better and useful about your goods and services, and above all the longer-term demand for them. You must be able to show how you stand apart from the competition with your goods and services so that you can present positive chances of success.

Market overview
Demonstrate your knowledge of the market and formulate the results of your detailed research. Present your potential customer base vividly along with their demographic ("student", "manager", "pensioner") and behaviour ("conventional", "extravagant"); not only their age, sex and income. Show that you also know your competition and take them seriously.

Marketing
Formulate your goods and services as calculated products (even if they are services, tie them to "service packages" complete with prices). Describe your costs, prices and sales volumes, spread over your goods and services. This way, your reader will know what considerations your figures
are based on. Describe your distribution channels. Don’t just include promotional items (flyers, web site, etc.) in your advertising; describe promotional ideas and contents. Calculate your advertising costs and present the intended impact of the advertising on your turnover.

The organisation of your business
A fundamental point in building successful company management is the organisation of operating procedures in the business. Individual entrepreneurs must also be well-organised. Structure the necessary work procedures and available qualifications and knowledge in the team with regard to the content-related tasks that must be fulfilled. Develop job descriptions and functional descriptions for individual positions. These will form a framework which sets out the employees’ tasks, rights and duties. This includes the documentation of representation arrangements and hierarchies. These tools provide you with an important basis for structured business management and legally-sound personnel work from the very start of your business activities.

Chances and risks
An experienced reader of business plans can see, at this point, how exhaustively you have studied the material. Therefore, you should answer the following questions in as much detail as possible: Which strengths go with which opportunities? Which risks can be countered with which strengths? How can weaknesses be developed into strengths? How can we protect ourselves from damage caused by weaknesses?

Financial planning and financing
A business’s financial planning includes turnover planning, operational costs planning, investment planning, a profitability and liquidity forecast and the determination of capital requirements for the start of your business activities.
Present your business's financial planning precisely and in detail. Support your target data in as much detail as possible. Planned investments, external services and various operational costs can be substantiated with corresponding offers from your contractors. Remember to list your personal living costs and plan your salary as director. Explain your numerical data calculating capital requirements in an understandable way. Show to which extent you can cover the calculated financial requirements with equity capital and to which extent the use of outside capital must be examined.

Appendix
If you have not presented your CV in the section detailing the identity of the person setting up the business, add it to the appendix. Do not forget the most important references to prove your professional qualifications and acquisition of specialist knowledge. Concluded contracts, existing draft contracts (e.g. tenancy agreements, cooperation agreements, leasing contracts, service contracts, articles of association), evidence of proprietary rights and other special documentation to further support your business plan should also be added to the appendix.
People who go into self-employment with their own business idea are usually interested in the long-term existence of their enterprise. In order to actually achieve this goal, you should undertake careful economic planning prior to setting up your business.

If you wish to make a loan application, heed the following: Do not sign any binding contracts in connection with your company’s foundation and do not enter into any other financial obligations (e.g. tenancy agreements, goods orders) before you have received a financing commitment!

Questions relating to calculations, profitability, financing capital requirements and securing liquidity assurance should be clarified in advance. Which investments must be made? How high are the expected turnover and profits in the first years after setting up the business? Is the business’s solvency and liquidity guaranteed at all times?

Please note: The calculations presented here only serve to explain the necessary elements of a business plan’s figures. Please create more detailed and elaborate tables for your figures section. You can find planning aids in the literature, at banks and savings banks and online.

Capital requirement and investment planning

Setting up a business usually involves costs and expenditure. If the available equity capital for the financing is not sufficient, additional financing possibilities must be unlocked. In order to enable solid financing, you require a detailed capital requirement and investment plan which shows the short-term and long-term capital requirements. The separation of short-term and long-term is necessary as different financing
tools may be considered. Long-term Capital requirements arise from the investment plan, in which you list all the investments required for the start-up with the corresponding acquisition prices or costs. If possible, the basis should be formed by cost estimates, price lists and also valuations. If this is not possible, make do with guesses for the time being:

**Investment plan**

<table>
<thead>
<tr>
<th>Item</th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td></td>
</tr>
<tr>
<td>+ Building</td>
<td></td>
</tr>
<tr>
<td>+ Construction measures</td>
<td></td>
</tr>
<tr>
<td>+ Ancillary construction costs (construction planning, development...)</td>
<td></td>
</tr>
<tr>
<td>+ Basic equipment for workshop</td>
<td></td>
</tr>
<tr>
<td>+ Machines, equipment, etc.</td>
<td></td>
</tr>
<tr>
<td>+ Vehicles</td>
<td></td>
</tr>
<tr>
<td>+ Office equipment</td>
<td></td>
</tr>
<tr>
<td>+ Material equipment</td>
<td></td>
</tr>
<tr>
<td>+ Goods equipment</td>
<td></td>
</tr>
<tr>
<td>+ Other</td>
<td></td>
</tr>
<tr>
<td>= Long-term capital requirements</td>
<td></td>
</tr>
</tbody>
</table>

The first weeks and months after starting up the business are usually marked by no revenue to accompany the operating costs and expenditure incurred, as there is usually a very long period of time between the first receipts of orders, order fulfilment and the first payments being received. The operating fund requirements for this start-up time include wages, salaries, rents, insurance, advertising, interest, loan repayment and private expenditure and represent your short-term capital requirements.
Processing costs and advance fee payments can also be high in the initial stages and should be considered. The operating fund requirements should either be paid via equity capital reserves, overdraft loans from the principal bank or operating fund financing with a fixed term (see “Liquidity planning” for a calculation of short-term capital requirements).

<table>
<thead>
<tr>
<th>Long-term capital requirements</th>
<th>_____________ €</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Short-term capital requirements</td>
<td>_____________ €</td>
</tr>
<tr>
<td>= Overall capital requirements</td>
<td>_____________ €</td>
</tr>
</tbody>
</table>

After you have determined your overall capital requirements, you must finance them in the best way possible. Publicly-funded loans or programmes for people starting up businesses are often available. In order to ensure that the interest and repayment costs arising from the third-party financing do not exceed the economic viability of your company, you should calculate the debt service limit.

**Profitability forecast**

The profitability forecast is a profit and loss statement based on projections. It should be created for the first three years in annual segments and helps to clarify whether or not the estimated annual turnover is expected to generate sufficient profits after all operational costs have been deducted. How high must the annual turnover be so that the company is economically viable and you can live on the profits generated?

Consider that a self-employed person’s profit as income must be significantly higher than an employee’s income to secure the same standard of living. You must bear all the costs for your social security, therefore old-age pension, health insurance, accident insurance, etc., on your own.

**How to calculate your annual, private expenses:**

| General subsistence (Food, clothing, leisure time) | _____________ € |
| Private rent, other costs for apartment or house (including running costs) | _____________ € |
| Vehicle/bus and rail | _____________ € |
| Telephone, radio, TV | _____________ € |
+ Holiday _____________ €
+ Pension insurance scheme _____________ €
+ Health insurance, long-term care insurance _____________ €
+ Life insurance _____________ €
+ Accident insurance _____________ €
+ Expenditure for private loans or other obligations _____________ €
+ Estimated income tax, church tax and solidarity tax _____________ €
+ Other (e.g. maintenance payments...) _____________ €

= Annual private expenses _____________ €

The private expenditure represents your minimum profit which must be achieved. As an individual entrepreneur, you live on profit. If you are setting up a GmbH, consider that you will receive a salary from the GmbH as a shareholder-director as well as any additional share of profit or turnover. This means that you do not fund private expenditure with the company’s profits, but with the salary paid to you by the GmbH, which should cover your private expenses.

The source for your calculation of the profitability forecast is an estimate of the expected annual turnover.

*How to get the profitability forecast*

*(Annual accounts; net, therefore without turnover tax and input tax)*

<table>
<thead>
<tr>
<th>Turnover</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>from services</td>
<td>_____________ €</td>
<td></td>
</tr>
<tr>
<td>+ from trade</td>
<td>_____________ €</td>
<td></td>
</tr>
<tr>
<td>+ from licences, commissions...</td>
<td>_____________ €</td>
<td></td>
</tr>
<tr>
<td>= Total turnover</td>
<td>_____________ €</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Costs</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Use of material</td>
<td>_____________ €</td>
<td></td>
</tr>
<tr>
<td>- Use of marketable goods</td>
<td>_____________ €</td>
<td></td>
</tr>
<tr>
<td>= Gross profit</td>
<td>_____________ €</td>
<td></td>
</tr>
<tr>
<td>- Gross wages and salaries</td>
<td>_____________ €</td>
<td></td>
</tr>
<tr>
<td>- GmbH director salary</td>
<td>_____________ €</td>
<td></td>
</tr>
<tr>
<td>- Ancillary personnel costs (social expenditure)</td>
<td>_____________ €</td>
<td></td>
</tr>
<tr>
<td>= Gross profit II</td>
<td>_____________ €</td>
<td></td>
</tr>
</tbody>
</table>
### Other costs

- **Rent/lease** _____________ €
- **Heating/Energy** _____________ €
- **Vehicle costs, travel costs** _____________ €
- **Communication costs (Telephone, fax, internet, post)** _____________ €
- **Insurance, fees, contributions** _____________ €
- **Tax and legal consultation, accounting** _____________ €
- **Advertising** _____________ €
- **Outside capital interest** _____________ €
- **Courses, literature** _____________ €
- **Office costs** _____________ €
- **other costs** _____________ €
- **Low-value commodities, repairs and maintenance** _____________ €
- **Depreciation for vehicles, machines, Equipment, building** _____________ €

= **Clear profit** _____________ €

The calculated clear profit expresses the estimated profitability of your company. As the company’s liquidity (the extent of actually generated funds in any one period) is of importance along with profitability, the cost-accounting depreciation, which should be recorded as costs but does not result in any expenses, is added to the clear profit:

<table>
<thead>
<tr>
<th>Clear profit</th>
<th>_____________ €</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Depreciation</td>
<td>_____________ €</td>
</tr>
<tr>
<td>= Cash flow</td>
<td>_____________ €</td>
</tr>
</tbody>
</table>

You must pay your living costs, investment expenditure and loan repayments from this cash flow, which is mainly consulted by banks as an important assessment criterion in the granting of loans. With a GmbH, however, living costs are already covered by your director’s salary, so do not need to be financed from the cash flow.

At the same time, you can calculate your individual debt service limit as a maximum, economically viable cost from interest and loan repayments and therefore the upper limit for third-party financing:
Clear profit _____________ €
+ Depreciation _____________ €
+ Interest on borrowed capital _____________ €
= Extended cash flow _____________ €
+ Private investments, other revenue _____________ €
- Private withdrawals, extraordinary expenses, other private expenditure _____________ €
- Replacement investment commitment, other investments _____________ €
- Income tax, trade tax and church tax _____________ €
= Debt service limit _____________ €
- Commercial debt service _____________ €
- Private debt service _____________ €
- Unscheduled loan repayment _____________ €
= Excess/shortfall _____________ €

Liquidity planning

Cash flow describes only the liquid funds generated via the company, but liquidity can also be increased or secured via other means, such as loans, private investment, interest revenue and more. As the operational liquidity which is actually available decides your company’s solvency and fulfilment of payment obligations at all times, it must be planned carefully. Short-term inability to pay can lead to serious problems with creditors in pre-financing orders, etc. Longer-term inability to pay leads to insolvency!

This aspect is often not given enough attention, especially in start-up planning. In order to calculate financing requirements for the start-up phase (and therefore short-term capital requirements), create a liquidity plan which contrasts the available liquid assets with expenses, including the amounts required for private living costs.

In most cases, the available funds will not be able to cover the expenditure during the start-up phase and there will be a shortfall. This should be balanced with an overdraft loan or operating fund loan from the principal bank and can be applied for in accordance with the liquidity plan. Do not wait until you actually need it to make the application. It is hard to negotiate with the bank when your liquidity is at risk!
<table>
<thead>
<tr>
<th>LIQUIDITY PLAN (in €)</th>
<th>1st month</th>
<th>2nd month</th>
<th>3rd month</th>
<th>4th month</th>
<th>5th month</th>
<th>6th month</th>
</tr>
</thead>
<tbody>
<tr>
<td>**A</td>
<td>Liquid assets**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash assets</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank balance</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Previous month’s excess</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>**B</td>
<td>Revenue**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover revenue</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Loans/other revenue</td>
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<tr>
<td>Private deposits</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A+B = available funds</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>**C</td>
<td>Expenses**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of material</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Use of goods</td>
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<tr>
<td>External services</td>
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<td></td>
</tr>
<tr>
<td>Gross wages/salaries</td>
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<tr>
<td>Ancillary personnel costs</td>
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<tr>
<td>Rent/energy</td>
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<td></td>
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<tr>
<td>Maintenance/repair/low-value commodities*</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle costs</td>
<td></td>
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<tr>
<td>Insurance/contributions/fees</td>
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<tr>
<td>Legal-/tax advice</td>
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<tr>
<td>Advertising/travel costs</td>
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<td></td>
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<tr>
<td>other costs</td>
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<tr>
<td>Interest on borrowed capital</td>
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</tr>
<tr>
<td>Loan repayments</td>
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</tr>
<tr>
<td>Taxes</td>
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</tr>
<tr>
<td>Sub-total</td>
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<td></td>
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<tr>
<td>Previous month’s shortfall</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private withdrawals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Overall expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A+B-C = excess/shortfall</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Balancing current account</td>
<td></td>
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<td></td>
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<tr>
<td>Liquidity</td>
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</tbody>
</table>

*May be written off completely in the year of acquisition.*
Financing

After calculating the capital requirements, the question arises as to how they will be financed and where the money will come from. First from your own pocket, then from your principal bank and finally from the state (Business promotion bank of the federal state of Brandenburg: Investitionsbank des Landes Brandenburg, abbr. ILB) and the federation (German development bank: Kreditanstalt für Wiederaufbau, abbr. KfW).

Equity capital
You can put forth equity capital in the form of savings and/or assets in kind. Along with fixed asset objects (machines, equipment, vehicle fleet, etc.), assets in kind can also be immaterial goods (patents or other rights). The evaluation of assets in kind can often present problems, especially if you are setting up a GmbH. You may have to consult an expert to compile a report.

Shareholding
If your equity capital is not enough, you should check whether relatives or other people may take shares in the future business with risk capital, or if these partners can provide you with venture capital.

It is also possible to secure financing via a venture capital company (Kapitalbeteiligungsgesellschaft). These companies provide new businesses with equity capital. They only hold shares in a business for a certain period of time, however. This is usually limited to ten years. During this period, a fixed rate of interest is charged on the capital which has been put forward or a participation fee or a company share in the profits is agreed. You must examine the respective conditions carefully, in advance. Venture capital companies are partially supported by the banks but also by private investors.

Investment loans from banks
As the equity capital is only rarely sufficient, you must increase the capital requirements using outside capital where necessary. Bank loans help to finance fixed assets. They are guaranteed for the medium to long-term, can be safeguarded using “normal” banking methods (by a guarantor bank, where necessary) and can be paid out with fixed or variable interest rates. The interest rates of internal bank financing programmes are usually higher than those from public funding.
Public funding
Public funding for business start-ups is generally funding on the basis of the individual. By means of long-term, reduced interest, fixed interest rate loans and a deferment of repayment for the first one to two years, the company’s start-up phase is made easier.

Public loans can also usually be safeguarded in the way customary among banks. If you do not have a sufficient amount of your own security, you can apply for a letter of indemnity from the Brandenburg guarantor bank (Bürgschaftsbank Brandenburg GmbH) in the case of business start-ups in Brandenburg. There is no legal right to the granting of public financial assistance.

Minimum requirements for public funding

<table>
<thead>
<tr>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>You may not have already begun implementing your plan before making the application.</td>
</tr>
<tr>
<td>You must have sufficient specialist and commercial qualifications (professional training and practical professional experience).</td>
</tr>
<tr>
<td>You must put an appropriate amount of equity capital into the overall financing.</td>
</tr>
<tr>
<td>The overall financing of the project must be secured.</td>
</tr>
<tr>
<td>The plan must give reason to expect a viable, full-time business.</td>
</tr>
</tbody>
</table>

The “funding primer” provides a comprehensive overview of the business development programmes in the state of Brandenburg and across Germany and is also available at the IHK.

Franchising as an alternative
Franchising can be seen as a way of setting up a business without the dreaded jump into the deep end. Franchising entails close business cooperation in the marketing of goods or services on a voluntary basis. Franchisors and franchisees regulate contractually the cooperation of entrepreneurs who are legally and economically self-employed. In this way, franchisees get to use all of the franchisor’s know-how and profit from the name recognition of well-known brands. The franchisees receive the benefits of a successfully implemented business idea and the professional services of a large central office. As a result, according to the basic idea of franchising, the benefits of the large company are combined with those of the smaller business, run by its owner.
Before you enter the franchising system and commit yourself contractually, you should check the quality of the concept and the franchise contract's balance.

Some example questions:

- How long has the franchisor been in existence?
- Which competitive edge is effectively given?
- Have any industrial property rights been entered?
- Are there any pilot businesses in existence?
- How many franchisees are affiliated with the franchisor?
- How successfully (indicators) are they working?
- What is the franchisor's position in the system (advisory committees, groups for exchanging experiences)?
- How comprehensive are the service packages?
- Is the franchisor a member of the Deutscher Franchise-Verband e.V.?

The Deutscher Franchise-Verband e.V. is one of the points of contact for franchisees and people setting up a business who are interested: Luisenstraße 41, 10117 Berlin, Tel.: +49 30 27 89 02-0.

Company acquisition as an alternative

If you are considering acquiring a company as opposed to the classic business start-up, the public succession platform „KfW-Nachfolgebörse“ (Unternehmensbörse nexxt-change) in collaboration with the Federal Ministry of Economics provides a special service. It keeps a record of the small and medium-sized businesses in all sectors which are for sale.
If you would like a face-to-face consultation, you can make an appointment. We will help you in the first steps of self-employment. Based on you as an individual and your business idea, we will give you tips and suggestions for planning your business:

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Selected web sites for the state of Brandenburg

www.cottbus.ihk.de
Tips, advice, information material, seminar offers for people setting up a business

www.ihk-ostbrandenburg.de
Tips, advice, information material, seminar offers for people setting up a business

www.ihk-potsdam.de
Tips, advice, information material, seminar offers for people setting up a business

www.bbimweb.de
Guaranties and shareholding

www.bmw.i.de/EN/root.html
Publications of the German Federal Ministry for Economic Affairs and Energy

www.degut.de
German start-up and entrepreneur days – the largest and most important trade fairs for people setting up businesses

www.existenzgruender.de/EN/Home/inhalt.html
Business start-up portal of the German Federal Ministry for Economic Affairs and Energy

www.franchiseverband.com/index.php?id=43
Deutscher Franchise-Verband e. V. web site for the German franchise economy.

www.gruenden-in-potsdam.de
Information portal for business start-ups in Potsdam

Information portal for business start-ups in Cottbus
www.existenzgruender-oderland.de
Information portal for business start-ups in Frankfurt (Oder) and neighborhood

www.gruendungsnetz.brandenburg.de
Information portal for business start-ups in the state of Brandenburg

www.ilb.de/de/englisch/index.html
Current funding and financing information

www.kfw.de/kfw.de-2.html
Funding programmes for business start-ups, business and shareholding financing

www.lotsendienst.net
Pilot services for founders in Brandenburg

www.masgf.brandenburg.de
Ministry for Labour, Social Affairs, Health, Women and Family – Business start-up funding

www.nexxt-change.org
Initiative for business succession

www.rak-brb.de
Bar association in the state of Brandenburg

www.stbk-brandenburg.de
Tax consultant chamber in the state of Brandenburg

www.wpk.de/eng
Chamber of public accountants
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Publisher

Landesarbeitsgemeinschaft der Industrie- und Handelskammern des Landes Brandenburg [State association of chambers of commerce and industry in Brandenburg]

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Thank you to IHK Berlin for their support in creating this brochure.

Printing
Druck+Satz Offsetdruck
Gewerbestraße 17
01983 Großräschen

Graphic
Jana Gerlach – IHK Ostbrandenburg

Translation/responsible
Alpha Translation Service GmbH Berlin – Cottbus
Dan Hoffmann – IHK Cottbus

First English edition, May 2016