

## Legal structures: the most important criteria for the selection

### Einzelunternehmen (sole proprietorship): full control, full liability

- good for making a start (e.g. for craftsmen, micro-enterprises, services)
- happens automatically when business is launched
- only one owner, no conflicts with partners
- no minimum capital
- full liability with private assets

### Gesellschaft bürgerlichen Rechts (GbR – civil law association): simple association of partners/professionals

- appropriate for any type of business partnership (micro-enterprises, professional services, special partnership)
- possibility for larger degree of freedom for the individual
- no formalities, but written contract useful
- no minimum capital
- partners liable with business assets and private assets

### Offene Handelsgesellschaft (OHG – general commercial partnership): high reputation, but liability risk

- for commercial operation with partners
- not for very small businesses
- no minimum capital
- partners liable with business assets and private assets
- high reputation due to willingness to assume personal liability

### Partnerschaftsgesellschaft (PartnG – partnership company): individual responsibility despite having partners

- only for professional services (Freie Berufe) if law governing the respective profession allows
- for companies co-operating with partners but wishing to retain individual responsibility
- company liable with company assets, partners liable with private assets in case of erroneous acts

### Kommanditgesellschaft (KG – limited commercial partnership): easier launch capital, greater independence for entrepreneur

- for entrepreneurs seeking additional launch capital but wishing to retain responsibility. Team: full partner(s) (one or several entrepreneurs) and limited partners
- full partner manages company alone
- limited partners are financially involved in company
- entrepreneur liable with entire private assets, limited partners only with own stake

### Gesellschaft mit beschränkter Haftung (GmbH – limited liability company)

- entrepreneurs wishing to limit their liability
- entrepreneurs for whom GmbH offers tax advantages in case of higher profits
- start-up formalities and accounting rather more cumbersome

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- director: partner or “outside” director
- company is liable with entire company assets
- liability of partners in case of liability claims against the company is restricted to their stakes (totalling at least EUR 25,000)
- in case of loans, partners are usually liable with additional private collateral

### Ein-Personen-GmbH (one-person GmbH): being your own employee

- for sole proprietors
- sole proprietorship can be transformed into GmbH
- entrepreneur can – for tax reasons – become employee of company
- start-up formalities and accounting rather more cumbersome
- company is liable with entire company assets
- liability of partner in case of liability claims against the company is restricted to his stake (totalling at least EUR 25,000)
- in case of loans, partners are usually liable with additional private collateral

### GmbH & Co. KG (limited commercial partnership): diverse possibilities

- for entrepreneurs wishing to limit their liability whilst enjoying the flexibility of a non-incorporated firm (in contrast to GmbH, for example)
- KG with GbmH (rather than natural person) is personally liable partner (full partner)
- the limited partners are the partners of the GmbH
- liability as with GmbH
- decision-making powers rest with full partner

### Kleine AG (small joint-stock company): alternative for SMEs

- for entrepreneurs wishing to keep road open to additional equity
- entrepreneurs can involve additional investors by issuing employee shares or by including clients as partners
- small joint-stock company: joint-stock company without stock-exchange listing, not necessarily with small turnover or small number of employees
- entrepreneur can be sole shareholder and board member
- decision-making powers restricted by supervisory board

### Eingetragene Genossenschaft (eG – registered co-operative society)

- members (entrepreneurs) wish to promote joint business on basis of solidarity
- high number of present and future members
- liability up to level of stake in co-operative society
- binding realisation of objectives by close ties to rules of co-operative society