

Starting a Business in Germany

A practical overview for non-EU citizens — including students, freelancers, and aspiring entrepreneurs

Who this paper is for

You are a non-EU citizen living in Germany (for example on a student or work visa) and you would like to start your own business. This document explains the legal residence requirements, the most common company structures, financing options including loans and grants, and the typical next steps. It is written as a general orientation, not as individual legal advice.

1. Residence Permit — The First Question

Before you think about company structure, taxes, or financing, you have to clarify your residence status. As a non-EU citizen, your permission to live in Germany also defines whether — and how — you are allowed to be self-employed. Self-employment without the correct permit is not allowed and can put your entire residence status at risk.

Most common situations

Student visa (§ 16b AufenthG)	Self-employment is normally not covered by a student visa. You typically need a change or extension of your residence purpose before you can register a business. Many students start by applying for the entrepreneurial residence permit (§ 21 AufenthG) once they have a concrete business plan.
Self-employment permit (§ 21 AufenthG)	This is the standard route for non-EU founders. The Foreigners' Office (Ausländerbehörde) reviews whether your business idea has economic interest or regional demand, whether financing is secured, and whether you have the relevant experience. A written business plan and a financing plan are usually required.
Freelance permit (§ 21 Abs. 5 AufenthG)	For "freie Berufe" (e.g. IT consultants, designers, journalists, artists, certain therapists). Usually faster than a full commercial self-employment permit, but only open to specific professions.
Settlement permit / EU long-term residence	If you already hold a Niederlassungserlaubnis or an EU long-term residence permit, self-employment is generally allowed without further approval.
Spouse / family reunion permit	Often includes the right to work and to be self-employed. Check the wording on your residence card ("Erwerbstätigkeit gestattet").

Action point

Bring your residence card and your business idea (one page is enough at the start) to the Ausländerbehörde or to a qualified advisor before you sign contracts, rent premises, or take out a loan. The permit question decides everything that follows.

2. Choosing a Legal Form

Germany offers several legal forms for a new business. The right choice depends on your expected turnover, your liability exposure, whether you have co-founders, and how much starting capital you can invest.

Form	Best for	Liability	Min. capital
Einzelunternehmen (sole proprietor)	One founder, low risk, fast start	Personal (unlimited)	None
GbR (civil-law partnership)	Two or more founders working together	Personal, joint and several	None
UG (haftungsbeschränkt)	Founders who want limited liability with low entry cost	Limited to company assets	1 EUR (in practice plan more)
GmbH	Established structure, credibility with banks and partners	Limited to company assets	25,000 EUR (12,500 EUR at registration)

Many non-EU founders start as an Einzelunternehmen or UG. A GmbH gives the strongest credibility with banks and suppliers but ties up more capital. If you work with a co-founder, a GbR is the simplest entry; you can convert it into a GmbH later as the business grows.

3. Co-Founders and Investors from Abroad

Bringing in a co-founder or investor — for example a friend or family member with EU or German citizenship living abroad — is possible and sometimes very helpful. Two points matter most:

- Documented contribution. Whether the partner contributes capital, know-how, or contacts, the role should be defined in a written agreement (partnership contract or GmbH/UG articles). This protects both sides and is also expected by banks.
- Money transfers from abroad. Family support, private loans, or equity investments from outside the EU should always be documented — bank confirmation, gift declaration, or loan contract. German banks and tax authorities ask for proof of origin of funds (money-laundering rules, § 154 AO).
- Citizenship of the partner. A co-founder with German or EU citizenship can act and sign in Germany without additional residence approval, even if they live abroad. They can be appointed managing director (Geschäftsführer) of a UG or GmbH if they can travel to Germany when required.

Tip

If a co-investor only contributes money but does not work in the business, a silent partnership ("stille Beteiligung") can be the simpler structure. It keeps the investor invisible to the outside world while their capital is clearly documented.

4. Registration — Step by Step

Once the residence question and the legal form are clear, the registration itself is usually quick. The typical sequence for a small commercial business looks like this:

Step 1	Confirm your residence permit allows self-employment, or apply for the corresponding change (§ 21 AufenthG).
Step 2	Open a separate business bank account. Some banks accept non-EU citizens easily, others do not — ask in advance.
Step 3	Register the business at the local Gewerbeamt (Gewerbeanmeldung). Fee is typically 20–50 EUR. The Gewerbeamt automatically informs the tax office, IHK, and other authorities.
Step 4	Complete the tax registration questionnaire ("Fragebogen zur steuerlichen Erfassung") via ELSTER within one month. You receive your tax number (Steuernummer) and, if needed, a VAT ID (USt-IdNr.).
Step 5	Register with the IHK (Chamber of Industry and Commerce) — automatic in most cases. Membership is mandatory for commercial businesses; there is a small annual fee.
Step 6	Check whether you need additional permits (for example for trade in valuables, second-hand goods, food, transport, or regulated crafts).

Special case: trade in valuables (precious stones, gold, jewellery, art)

Buying and selling high-value goods such as diamonds, gold, or jewellery falls under extended money-laundering rules (Geldwäschegesetz, GwG). You must identify your customers above certain thresholds, keep records, and may need to appoint a money-laundering officer. Some types of trade also need approval as a "erlaubnispflichtiges Gewerbe". Clarify these obligations before your first transaction — fines for non-compliance are substantial.

5. Financing Your Start

Most new businesses combine several sources of money: own savings, family support, and external financing. Below is an overview of the most common options. The right combination depends on the size of your investment, your credit history in Germany, and your residence status.

Comparison of common financing options

Option	Typical interest	Suitable for	Effort
Own funds / family	—	Any starting amount	Low; document origin of money
Standard bank loan	ca. 4 - 5 % p.a.	Established business, good credit, collateral	High; business plan, SCHUFA, collateral
KfW start-up loan (e.g. ERP-Gründerkredit)	ca. 4 - 5 % p.a. (varies)	Founders with a solid plan; passed through your bank	High; full business plan, bank approval needed
Microloan (Mikrokreditfonds Deutschland and partners)	ca. 7 - 8 % p.a.	Smaller amounts up to 25,000 EUR, weaker credit history	Medium; shorter business plan, faster decision
Private investor / silent partner	Negotiated	Founders with strong concept but limited collateral	Medium to high; contract required

When is a business plan mandatory?

For any external financing — KfW, classic bank loan, microloan, public grant, or investor — you will be asked for a written business plan. A typical business plan contains: founder profile, business idea, market and competition, marketing and sales, legal form, organisation, and a three-year financial plan (revenue, costs, liquidity, capital requirement).

Our service

Business Start EU GmbH prepares bank-ready business plans starting at 980 EUR net (simplest package). The plan is delivered in German and structured according to the expectations of German banks, the KfW, and microloan institutions. We can also support you with the loan application itself, the meeting with your bank, and the communication with the tax office.

Special situation: non-EU founders and German banks

Banks generally require: a valid residence permit that allows self-employment, a SCHUFA record (which non-EU residents only build over time), and collateral or a guarantor. A well-prepared business plan and a personal meeting often decide the outcome. If a classic bank loan is too difficult in the beginning, a microloan is frequently the more realistic first step — even with the higher interest rate.

6. Taxes and Social Insurance – The Basics

Income tax (Einkommensteuer)	Paid on your business profit. Progressive rate from 0 % up to 45 %. Quarterly advance payments after the first tax return.
VAT (Umsatzsteuer)	Standard rate 19 %, reduced rate 7 %. Small-business rule (Kleinunternehmer, § 19 UStG) exempts you if your turnover stays below the current threshold.
Trade tax (Gewerbesteuer)	For commercial businesses. First 24,500 EUR profit per year are exempt for sole proprietors and partnerships. Rate depends on the municipality.
Health insurance	Self-employed persons must have insurance — either statutory (GKV) or private (PKV). Contributions depend on your income.
Pension and other insurances	Statutory pension insurance is mandatory only for certain professions. Liability and business insurance are strongly recommended.

7. Common Mistakes – and How to Avoid Them

- Starting the business before the residence permit allows it. Always clarify the permit first.
- Mixing private and business bank accounts. This makes bookkeeping difficult and looks unprofessional to the tax office.
- No written agreement with co-founders or family investors. Conflicts become very expensive without documents.
- Receiving large transfers from abroad without documentation. Banks will block accounts until origin of funds is proven.
- Underestimating the German bureaucracy. Allow four to eight weeks between the first permit appointment and the actual start of operations.
- Choosing the cheapest legal form instead of the right one. Changing the legal form later costs time and money.

8. How Business Start EU Supports You

We work with non-EU and EU founders in Heidelberg and across Germany. Our services for your situation typically include:

- Initial orientation meeting (in English or German) to clarify your specific situation
- Preparation of the business plan and financial plan, accepted by banks and the KfW
- Support with the Ausländerbehörde application under § 21 AufenthG
- Help with bank meetings, microloan applications, and loan negotiation
- Guidance on Gewerbeanmeldung, ELSTER tax registration, and IHK
- Coordination with tax advisors, notaries, and insurance partners when needed

Next step

Book a free first call with us. Bring your residence card, your business idea (a few sentences are enough), and your rough budget. We will tell you within thirty minutes what is realistic in your situation and which path makes the most sense for you.

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