**Registering small businesses: steps & authorities**

Are you setting up a business alone and can’t enter in the commercial register as a trader? Or set up a GbR with others? Maybe you want to start what is traditionally called small business. we will show you below, how you can register the small business. At the bottom of the page we also have a short video that will help you to register your small business.

In addition, we provide you with a template for registering a small business which is free of charge for you. Anyone starting as a merchant or as a limited liability company(GbR) must enter the commercial register. Freelancers, on the other hand, do not fall under the term small business.

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**1.** **Small businesses, small business owners, commercial businesses**

In fact, the 'small business' does not exist at all, and yet the term is often used to describe a trade that is not a branch of commercial trade and therefore,is not on the commercial register . In addition, the term small business is often used with small business owners or small businesses themselves (which It may get confusing to use these, with the small business scheme). However, the status of small business is related to VAT (value added tax) and therefore has nothing to do with the issue of 'registering small businesses'.

Since freelancers even do not have to register a trade, they do not operate small businesses.

**Attention: Freelancers do not run a small business**

Freelancers do not fall under the category of small businesses or commercial businesses. You do not have to register in the trade office or commercial register and also outside the Chamber of Commerce)IHK) or HWK. As a matter of fact, there are professional chambers for some freelancers or in some places, it has became mandatory for them to register in the Artists' Social Fund. Check that whether you are a freelancer too. And read here where you need to register a freelancing job.

**2. Distinction: Trade vs. small business register**

According to the Commercial Code (Section 1,paragraph 1, the German Commercial Code or HGB ), a merchant is a trader who runs a commercial trade. Small business is defined in the law in this way way: "the enterprise does not require a commercially established business by type or extent" (Section 1 para.2 HGB)."

Type means the complexity of business operations or the diversity of business activities. Extent refers to the volume of turnover, the number of employees or the amount of operating assets. This affects the process of the application as follows:

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| Main difference: no entry in the commercial register  Unlike a commercial sector, small businesse owners do not need to sign in a commercial register.  This means for the establishment and registration of the small business:  • An appointment with the notary is not necessary.  • This eliminates fees for the notary.  • There is no need to draw up an opening balance sheet or start-up balance sheet.  As a result, the registration of a small business is much more favourable than in the case of a legal form subject to registration. |

**Legal forms for small businesses**

As a rule of thumb, it can be said that small businesses are meant to generate less than several hundred thousand euros in turnover per year. The foundation, traditionally referred to as a small business, usually arises when It is founded on its own. Then you automatically start as a sole proprietor. If at least two persons join forces for a joint undertaking, it becomes a civil law partnership (GbR). And the GbR also falls under the term small business, since it is not entered in the commercial register and is therefore not a commercial sector.

**Legal forms for the commercial sector**

If you, as a sole trader, decide that at the beginning, you want to sign in to the commercial register, you will be granted the status of merchant and will no longer be considered a small business. Even when a GmbH or UG is founded, the entry in the commercial register should be made and for that one should go to the commercial trade cited in the German Commercial Code (HGB). It should be noted that the entry in the commercial register must be made by a notary .As an example, If you are planning to set up a gmbh, the notary certify the social contract and prepares further documents, which then they submit them to the district court later. The start-up process itself also takes longer than when you are registering a GbR as a small business.

And even if you start out as a small business, you will certainly grow gradually over time. And passing from a certain degree you become a commercial trade and have to enter the commercial register. The entry then automatically turns the GbR into an Open Trading Company (OHG). However, more comprehensive regulations will be applied( after the foundation) to the merchant or the commercial trade such as the GmbH or UG.

**At a glance: When is your business a small business?**

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| **Legal forms of small businesses** | **Legal forms of trade** |
| Entrepreneur | Merchant |
| civil law company (GbR) | The general partnership)OHG) |
|  | limited partnership business entity(KG) |
|  | entrepreneurial company(UG), company with limited liability (GmbH) |
|  | stock corporation(AG) |

**3.Register the small business: move from one office to another**

So let's make a final statement: if you do not start as a businessman, with an OHG, GmbH, UG or other corporation into self-employment, then you start as a small business owner. And so the question arises as to where do you have to register your small business?

In order to register a small business, visits to certain offices are mandatory. This is what the trader must do. However, the founder who wants to register a small business: does not have to do one thing: he does not have to register in the commercial register. Small business owners and freelancers are exempt from the obligation to enter in the commercial register. However, you can register voluntarily, but you will also have a whole range of rights and obligations. So we should remember: Founders who want to register a small business can avoid the commercial register, but everything else remains the same! The steps you have to take as a founder in order to register a small business will be explained below.

. Trade office (here you will find a template for business registration)

. Tax office (how to complete the questionnaire for tax registration)

. Professional association

. IHK or HWK

. As for employees, the employment office and health insurance funds

**Infographic: Registering a company**

The following infographic shows the order in which you have to contact the different authorities. Always follow the figure that corresponds to your legal form. The graphic opens when you click on the image below.

**Business registration: Necessary documents & filling out help**

Almost all founders have to carry out a business registration. Only freelancers do not need to do this, but turn directly to the tax office. If you want to register a small business, you have to ask for a business license from the trade office or the municipal administrative office. In Berlin, for example, you can also register online and try to register your small business. In other municipalities, those interested in founding a company receive the forms to be filled out on site.

**Attention if you are in the small business: Check permits**

It is also necessary to check whether a license for the trade is required or not. Some Examples of businesses in Germany that require a permit are: geriatric care, property developers and Construction supervisors, roofers, driving schools, glaziers, real estate agents, painters and varnishers , Parquet layers, interior decorators, textile cleaners and carpenters. If you want to be sure, please contact IHK or HWK.

**Starting the part time small business?**

Moreover, as soon as you want to register a small business, you will be asked whether you start full-time or part-time. However, there are no further differences apart from the extent of the activity itself. You have the same rights and obligations. If you decide to start a part-time job, you should consider informing your own employer that you are going to register a small business.

**Small business register and the tax office**

As a rule, the tax office automatically sends a questionnaire for the tax collection of small business owners after the trade declaration. In addition, the tax office issues a tax number. Anyone wishing to sell or purchase goods or services within the EU vat-free must apply for a VAT identification number. This number is awarded by the Federal Central Tax Office. We have listed the contact details for a tax office in your area.

**Registering small businesses and applying for an operating number**

If founders employ employees, they must apply to the employment office for an operating number. The company number is assigned by the Federal Employment Agency and must be applied, as soon as the first employee is hired. The number is relevant for registration of social security as well as for the health insurance fund. The application for a company number must also be made for mini-jobbers and trainees. In the event of a takeover, you must apply for a new operating number.

**Small business registration: Chamber of Commerce and Industry**

After the trade registration, membership in one of the 80 Chambers of Commerce and Industry (IHK) is required. It is compulsory for all German companies, with the exception of freelancers, farms and craftsmen. This means that everyone who registers a small business also becomes a IHK member.

Whether at the IHK Berlin, IHK Munich, IHK Cologne or IHK Stuttgart - anyone who wants to register a small business must also register with the responsible IHK. The IHK membership takes place on the basis of the company headquarters and the registration is usually done by the trade office. The responsible IHK then sends the entrepreneur a letter with all further information on IHK membership.

**Registering small businesses: enquire with the HWK(skilled trades or handicraft trades)**

Before you register a small business, you need to inquire whether the business needs to be entered in the trade register. The handicrafts register has a list of all business owners who are subject to authorization. The owners of the establishments will then receive the craft card. The handicrafts register is done by the Chamber of Handicrafts in the respective district.

The licensing requirements for craftsmen who are entered in the craft register include:

• who has passed the master's examination in the craft to be practised

• who has passed the master's examination in a technically related craft

• who has passed an at least equivalent subject-related German examination,

• who owns an exercise entitlement in accordance with Section 7a or Section 7b HWO (Old journeyman regulation) or

• who holds an exemption permit in accordance with Section 8 hWO or as an EU citizen an exemption permit in accordance with Section 9 HWO for the craft to be practised or a related craft.

**Register small businesses: Employer's liability insurance association**

Registering a small business also means registering with the trade association. Professional associations exist for various sectors. You are largely responsible for the health aspects of companies. As an example, all companies must register there within one week of the start-up. The exception is made by competent agricultural trade associations or public accident insurance institutions.

**Small business registration with employees**

Employees must be reported to the respective health insurance company. Notifications of the health insurance company are not given only at the time of the entry of a new employee, but also at other times. It is best to learn more about this from the respective health insurance company. The health insurance company will happily provide up-to-date fact sheets for the transfer of contributions and the further reporting deadlines.

**4.Registration and fees for small businesses at German trade offices**

Digitization is already well advanced in some cities and federal states. In NRW(state of North Rhine-Westphalia) , the complete small business registration can be carried out via a central register independently of local trade offices. The current exception is the city of Cologne, where the small business owner can register online. If an online registration is not possible, the small business founder goes to the respective trade office of his city. As a rule, the founder can download the registration form on the respective website of the trade office and fill it out beforehand. It is also sensible to make an appointment. Here, for example, the city of Leipzig even offers an online appointment.

**5.Other things you need for small businesses**

Enrolling small business is the formal step towards self-employment. Below we will give you other things to think about at the start:

• Do you already have a business account?

• Keyword insurance: cover private and professional risks

• Are your terms and balances legally secure? A lawyer from our network helps

• Who does your accounting? We recommend a tax advisor.

• Do you work from the home office or rented office ? Find out what you need to know about an office.

• Write the first invoice

• Numerous templates for everyday office use can be found here

**6.Frequently asked questions about the registration of small business**

**How large can a small business be?**

A company is a small business if it does not exceed a turnover of €600,000 or a profit of €60,000. From this threshold onwards, the entrepreneur must convert it into a trade that is subject to registration.

**When does the small business have to be registered?**

The business registration should be made before the company starts. Otherwise the entrepreneur risks penalties by the tax office.

**How much does it cost to register for a small business?**

The business registration costs 20 € to 60 € depending on the community.

**What are differences between registering a small business and a full-time merchant?**

The small business only needs the trade registration, not the passage to the notary and the subsequent registration in the commercial register.

**Is a small business tax-free?**

No, small business owners pay the following taxes:

• Value added tax

• Business tax

• Payroll tax for employees

• Income tax under income tax declaration

**How do you register a small business with the tax office?**

To do this, the entrepreneur must complete the tax registration questionnaire . If using GbR, both shareholders have to do this.

**What are the possibilities with the company name in the small business?**

The company name must be the first name and surname of the entrepreneur. Pure fantasy names are not allowed.